



CRANSWICK *plc*

Great British Taste

RESULTS

FOR YEAR ENDED 31 MARCH 2016

AGENDA

INTRODUCTION

Martin Davey, Chairman

HIGHLIGHTS

Adam Couch, CEO

FINANCIAL REVIEW

Mark Bottomley, Finance Director

COMMERCIAL REVIEW

Jim Brisby, Commercial Director

OPERATING & STRATEGIC REVIEW

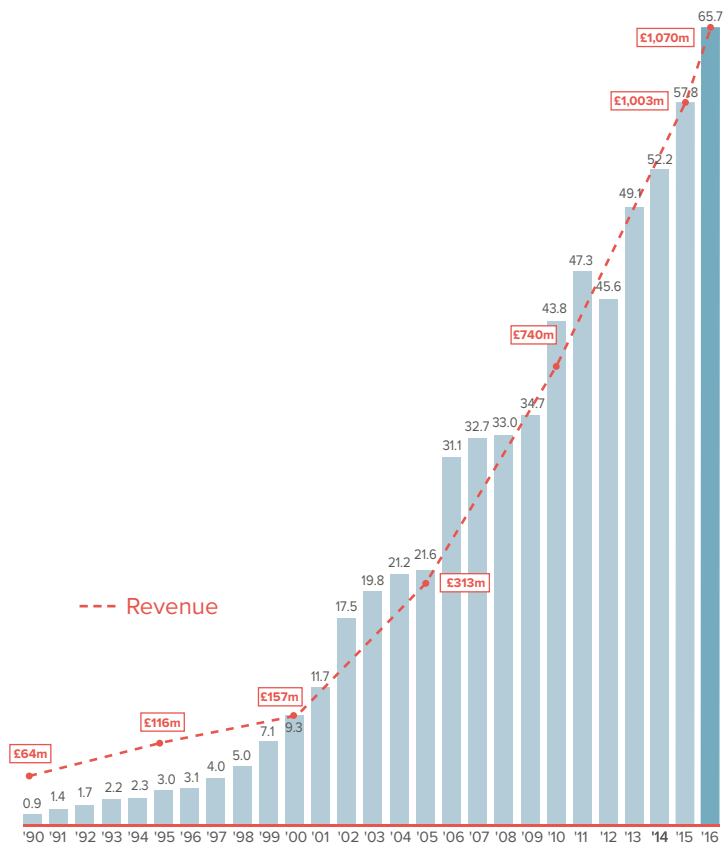
Adam Couch, CEO

Q&A

TRADING RECORD 1990-2016

ADJUSTED PROFIT BEFORE TAX* (£m)

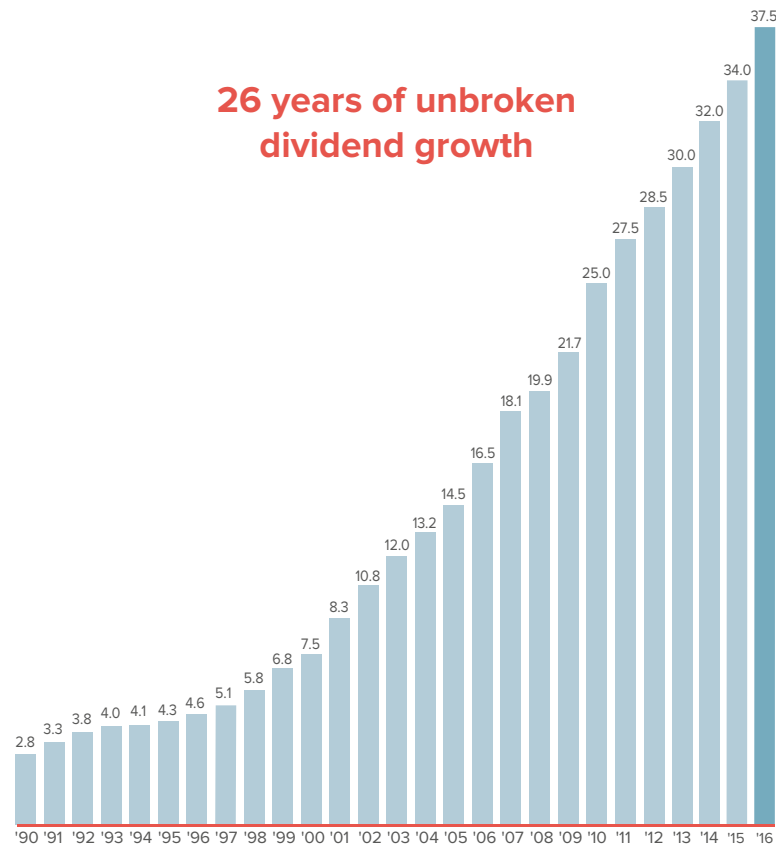
1990-2016



DIVIDEND PER SHARE (pence)

1990-2016

26 years of unbroken dividend growth



* Excludes IAS41 movement on biological assets and acquisition related amortisation in 2016 and 2015 and goodwill impairment in 2016

HIGHLIGHTS

- Strong revenue and earnings growth
- Adjusted operating margin up from 5.8% to 6.2%
- Continued growth in Far East export sales
- Post year end acquisition of Crown Chicken
- £34 million capital investment across the Group's asset base to support future growth
- Dividend up 10.3% to 37.5p per share

10 YEAR RECORD

Compound annual growth rates to 31 March 2016

TURNOVER

9.5%
PA

ADJUSTED PROFIT
BEFORE TAX

7.8%
PA

ADJUSTED EARNINGS
PER SHARE

7.4%
PA

DIVIDEND
PER SHARE

8.6%
PA



FINANCIAL SUMMARY

£m	2016	2015	% Change
REVENUE	1,069.6	1,003.3	▲ 6.6%
UNDERLYING REVENUE ¹	1,032.3	985.6	▲ 4.7%
ADJUSTED GROSS MARGIN ²	13.4%	12.4%	▲ 1.0%
ADJUSTED OPERATING PROFIT ^{2,3}	66.2	58.7	▲ 12.8%
ADJUSTED OPERATING MARGIN ^{2,3}	6.2%	5.8%	▲ 34 bps
ADJUSTED PROFIT BEFORE TAX ^{2,3}	65.7	57.8	▲ 13.7%
ADJUSTED EARNINGS PER SHARE ^{2,3}	104.7p	92.1p	▲ 13.7%
DIVIDEND PER SHARE	37.5p	34.0p	▲ 10.3%

1. Underlying revenue in both the current and prior financial years excludes the contribution from Benson Park prior to 22 October and revenue from pig breeding, rearing and trading activities
2. Excludes IAS 41 movement on biological assets in 2016 and 2015
3. Excludes acquisition related amortisation in 2016 and 2015 and goodwill impairment in 2016

TAX & EARNINGS PER SHARE

TAX

%	2016	2015
HEADLINE TAX RATE	20.0	21.0
DISALLOWED EXPENSES	1.4	0.9
DEFERRED TAX RATE CHANGE	(0.7)	0.1
GOODWILL IMPAIRMENT	1.6	-
PRIOR YEAR ADJUSTMENTS	0.3	(0.1)
EFFECTIVE TAX RATE	22.6	21.9

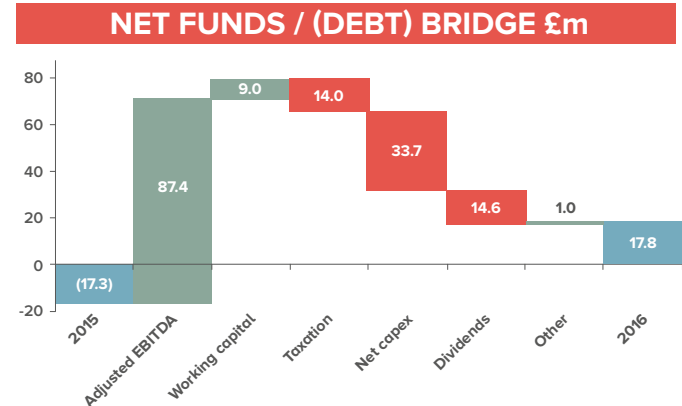
EARNINGS PER SHARE

Pence	2016	2015
ADJUSTED EARNINGS PER SHARE	104.7	92.1
ACQUISITION RELATED AMORTISATION	(2.8)	(1.4)
NET IAS 41 MOVEMENT	(1.9)	(8.6)
GOODWILL IMPAIRMENT	(9.3)	-
TAX IMPACT	0.8	2.0
REPORTED EARNINGS PER SHARE	91.5	84.1

CASH FLOW

£m	2016	2015
CASH GENERATED FROM OPERATIONS	97.8	67.1
TAX PAID	(14.0)	(12.7)
NET CASH FROM OPERATING ACTIVITIES	83.8	54.4
NET CAPITAL EXPENDITURE	(33.7)	(20.9)
GOVERNMENT GRANTS RECEIVED	0.2	0.5
ACQUISITIONS (NET)	-	(17.7)
INTEREST PAID	(0.4)	(0.9)
ISSUE COSTS OF LONG-TERM BORROWINGS	-	(0.8)
SHARE ISSUES	0.6	0.9
DIVIDEND PAID	(14.6)	(15.3)
NET CASH INFLOW	35.9	0.2
NET FUNDS / (DEBT)	17.8	(17.3)

NET CAPEX £m	2016	2015
FRESH PORK	8.4	7.9
COOKED MEATS	11.1	7.3
POULTRY	5.1	1.7
SAUSAGE/BACON	5.3	1.6
OTHER	3.8	2.4
NET CAPEX	33.7	20.9



BALANCE SHEET

£m	2016	2015	
PROPERTY, PLANT & EQUIPMENT	178.5	166.1	ACQUISITION RELATED AMORTISATION (1.4)
INTANGIBLE ASSETS	139.7	145.7	GOODWILL IMPAIRMENT - SANDWICHES (4.6)
BIOLOGICAL ASSETS	11.0	11.8	NET MOVEMENT (6.0)
WORKING CAPITAL	41.2	48.2	INVENTORIES (2.9)
NET FUNDS / (DEBT)	17.8	(17.3)	TRADE & OTHER RECEIVABLES (0.1)
TAX, GRANTS, PROVISIONS, PENSIONS	(20.2)	(22.1)	TRADE & OTHER PAYABLES (4.0)
NET ASSETS	368.0	332.4	NET MOVEMENT (7.0)
KEY METRICS:	2016	2015	
ROCE ¹	18.5%	17.0%	150 bps improvement in ROCE Strong improvement across all key metrics
GEARING	-	5%	
INTEREST COVER	110x	60x	
DIVIDEND COVER	2.4x	2.5x	

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

CASH GENERATION & BANKING FACILITY

CASH GENERATION 2009-2016 £m

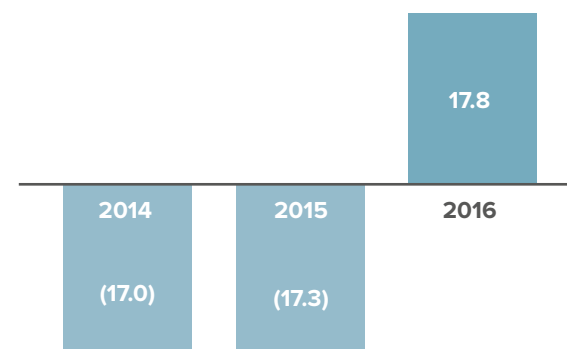
	FREE CASH FLOW	NET CAPEX	ACQUISITION / (DISPOSAL)	DIVIDEND PAID	CASH* INFLOW / (OUTFLOW)
2016	83.4	33.5	-	14.6	35.3
2015	52.7	20.4	17.7	15.3	(0.7)
2014	59.1	27.4	14.4	12.7	4.6
2013	49.0	30.5	5.8	11.4	1.3
2012	43.4	19.9	(14.5)	11.8	26.2
2011	50.0	33.9	-	10.5	5.6
2010	29.6	19.9	(8.1)	8.8	9.0
2009	39.9	20.7	-	8.8	10.4
	407.1	206.2	15.3	93.9	91.7

* Excludes the proceeds from the issue of share options

BANKING FACILITY

- £120m revolving credit facility with 3 major UK banks
- Extending to July 2018
- Unsecured
- Headroom of £138m at March 2016

NET FUNDS / (DEBT) PROFILE £m



COMMERCIAL REVIEW

TRENDS



CRANSWICK PERFORMANCE



OUTLOOK



ECONOMIC ENVIRONMENT



PRAGMATIC SHOPPER

- Informed rational choices
- Social media peer influence
- Price / quality equation



DEFLATION

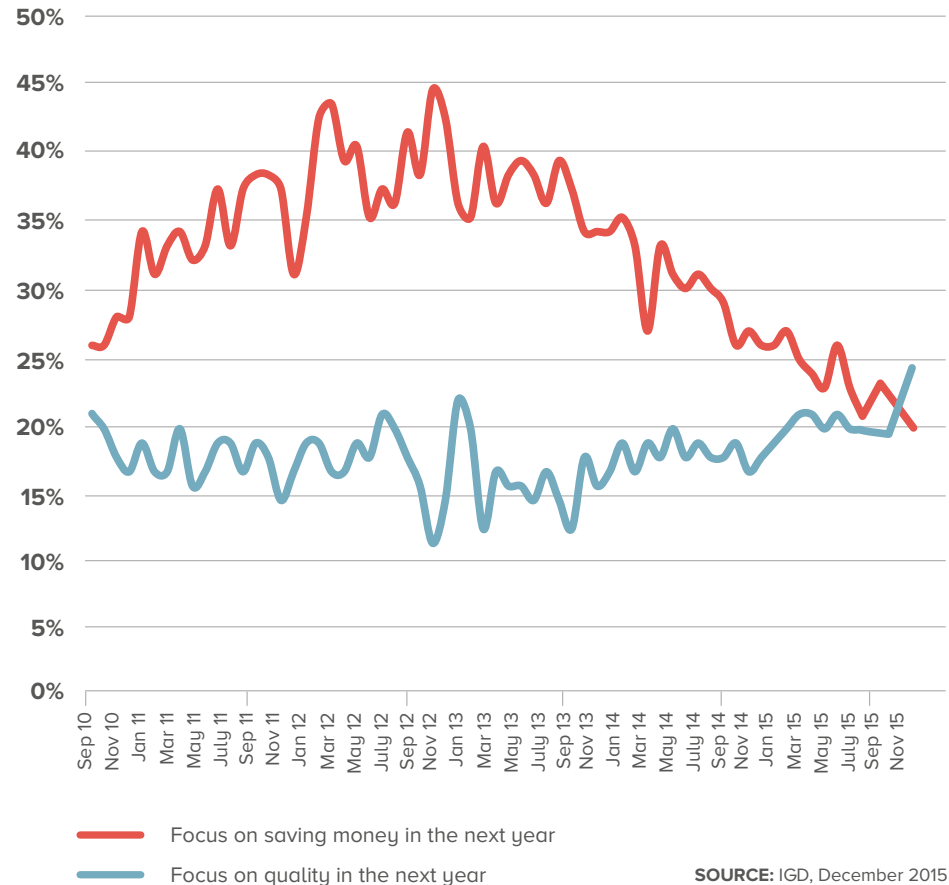
- Base commodities
- Increased competition
- Increasing disposable income



TRADING ENVIRONMENT

- Leisure spend
- Big ticket items
- Premium growth

SHOPPERS LESS FOCUSED ON SAVING MONEY & QUALITY REMAINS IMPORTANT



SOURCE: IGD, December 2015

CONSUMER & SHOPPER DYNAMICS



PREMIUM GROWTH

- Premium retailers
- Premium ranges
- Cranswick premium growth



CONSUMER BEHAVIOURS CHANGING

- Increased focus on health and well-being
- Convenience and online growth
- Eating out of home



BIG 4 RETAILERS STABILISING

- Simpler pricing
- Tesco 'Farms' range
- Sainsbury's resilience



PROTEIN TRENDS



TOTAL PROTEIN BACK IN VOLUME GROWTH

- Meat and poultry up by 3.4% volume
- Total pork in growth of 1%
- Supported by AHDB campaign



POULTRY THE LARGEST CATEGORY

- Value +2.1% and volume +4.1%
- Versatility and health benefits
- Most consumed protein out of home



SHOPPERS

- Lower trip spend across the board
- Increased perceptions of health
- Increasing need for convenience and inspiration

SOURCE:
Kantar Worldpanel 12 wk data to 27 March 2016



CRANSWICK GROWTH

STRONG VOLUME GROWTH



- Partially offset by deflation
- Market share gains
- Pulled pork campaign

PREMIUM GROWTH



- Overtrade in premium
- Premium businesses in growth
- Premium markets in growth

EATING OUT OF HOME



- Poultry growth
- Breakfast growth
- Expanded customer base









COMMERCIAL DATA

CRANSWICK SALES

Full Year 2015-16

MARKET*

Annual Sales 2015-16

	CATEGORY	CHANGE		CHANGE	
		VALUE	VOLUME	VALUE	VOLUME
	FRESH PORK RETAIL	▲ +9.5% (i)	▲ +16.7%	▼ -8.9%	▼ -3.5%
	SAUSAGE	▲ +1.1%	▲ +5.2%	▼ -4.9% (iii)	▼ -1.6%
	BACON & GAMMON	▲ +12.5%	▲ +16.3%	▼ -7.2% (iv)	▼ -3.2%
	COOKED MEATS	▼ -3.9%	▼ -1.8%	▼ -4.3%	▼ -0.6%
	CONTINENTAL PRODUCTS	▲ +11.2%	▲ +9.5%	▲ +4.6%	▲ +5.3%
	PASTRY	▲ +30.8%	▲ +28.9%	▲ +1.9%	▲ +3.6%
	SANDWICHES	▲ +2.9%	▲ +0.6%	▲ +2.2%	▼ -1.3%
	COOKED POULTRY	▲ +23.7% (ii)	▲ +30.3%	▲ +5.1%	▲ +8.3%

NOTES:

(i) Total Fresh Pork sales growth +9.1%

(ii) Cooked Poultry sales growth since the anniversary of the acquisition of Benson Park on 22 October 2015

(iii) Super Premium Sausage category growth +3.7%

(iv) Super Premium Bacon category growth +14.0%

*SOURCE:

Kantar Worldpanel 52 w/e 29 March 2016



SUSTAINED GROWTH

- Gaining market share
- Major business wins
- Potential of poultry strategy



INNOVATION PIPELINE

- Maintaining relevance in core
- Sous vide and slow cook
- Food on the Go concepts



SECURITY & STABILITY

- Longer term deals and strategic relationships
- Group wide pricing models
- Stable commodities with modest inflation expected



STRATEGY & BUSINESS MODEL

OUR DIFFERENTIATORS



GUIDING PRINCIPLES



PILLARS OF GROWTH

CONSOLIDATION

Driving the core

Market share gain
Broadening the offer
Keeping it relevant

DIVERSIFICATION

Expanding our offer

New products
New proteins

INTERNATIONAL

Seeking new opportunities

Export 5th quarter
Added value
International operations

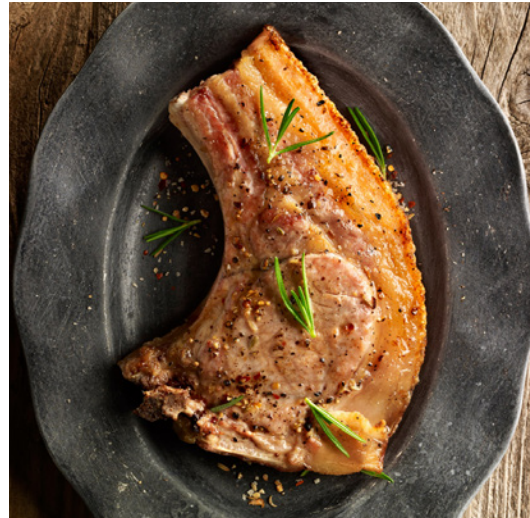
STRATEGIC PROGRESS

SUPPLY CHAIN DEVELOPMENT



- Partial vertical integration
- R&D investment
- Dedicated supply chains

INTERNATIONAL



- Continued growth in Far East export sales
- Additional certification for China
- Added value focus for EU

FACILITIES



- Over £200m invested in last 8 years
- Ongoing investment plan
- New capability and increased capacity

SUPPLY CHAIN DEVELOPMENT



VERTICAL INTEGRATION

- Making British more competitive
- Integrated premium supply chains
- 20% of pig supply in-house



R&D INVESTMENT

- Farming development for indoor and outdoor breeding systems
- Feed and genetic research
- Improves product quality and production efficiencies



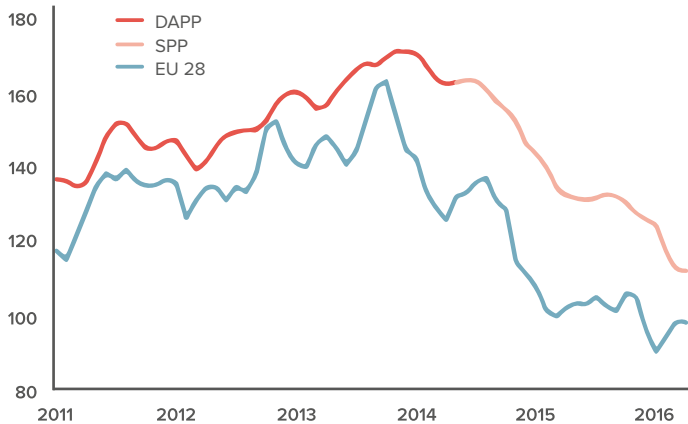
DEDICATED SUPPLY CHAINS

- Specific farms and pig breeds developed for different customers
- Creates point of difference for retailers
- Secures long term supply agreements

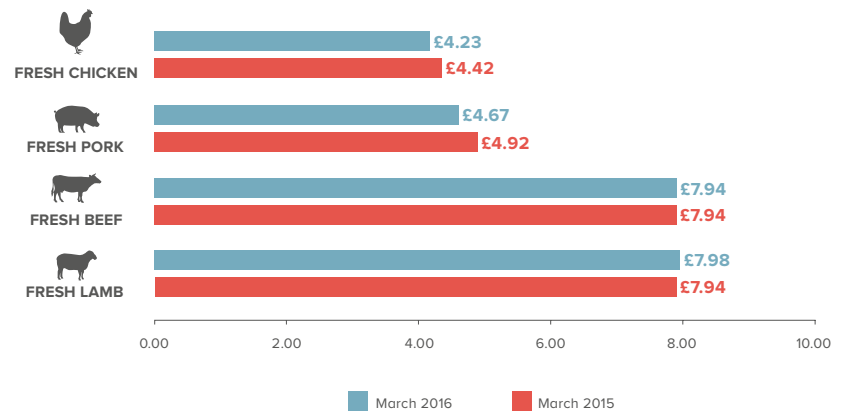


PIG PRICES & MARKET

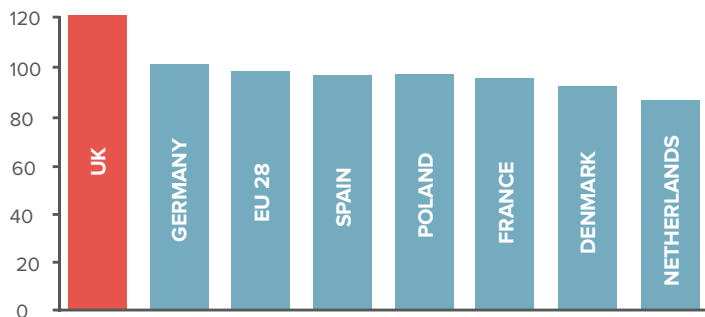
PIG PRICE – UK & EU p/kg



UK RETAIL AVERAGE PRICE (£/kg)

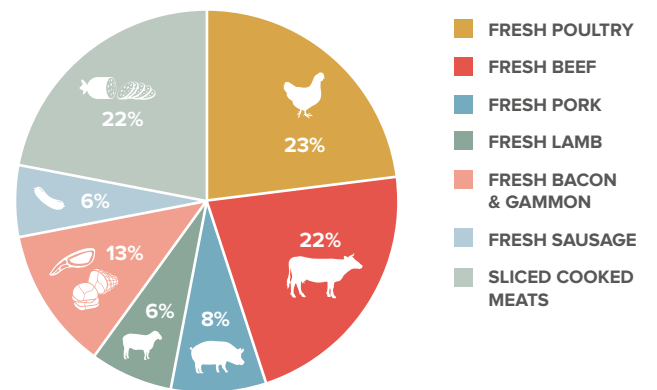


52 WK PIG REF PRICE p/kg



SOURCE:
AHDB, 52 wk data to 25 April 2016

EXPENDITURE SHARE



SOURCE:
Kantar Worldpanel March 2016

INTERNATIONAL

FAR EAST



- Over 1,000T of product per week to China
- Further PRC Certification granted
- Strengthening of prices due to supply and demand imbalance

EUROPE



- Opportunities for higher welfare pork
- Added value sausage and bacon
- UK pig price commands c10% premium over EU price

USA



- USDA approval for our facilities
- Ribs the primary focus for US market
- Strong dollar makes exports more competitive

FACILITIES

	PROJECT	BENEFIT
DELIVERED	PREMIUM POULTRY - Hull <ul style="list-style-type: none"> Extension Inline cooking equipment 	<ul style="list-style-type: none"> Increased capacity Improved efficiency Product differentiation
	GAMMON - Milton Keynes <ul style="list-style-type: none"> Heat set gammon facility 	<ul style="list-style-type: none"> New capability New market segment Efficiency & competitive position
	CONTINENTAL PRODUCTS - Manchester <ul style="list-style-type: none"> British charcuterie facility 	<ul style="list-style-type: none"> New capability Product differentiation Improved efficiency
ONGOING	FRESH PORK - Norfolk <ul style="list-style-type: none"> Abattoir upgrade 	<ul style="list-style-type: none"> Improved efficiency Additional capacity New capability
	COOKED MEATS - Hull, Barnsley & Milton Keynes <ul style="list-style-type: none"> Site upgrades 	<ul style="list-style-type: none"> Improved quality Improved efficiency New capability
	SAUSAGES - Hull & Norfolk <ul style="list-style-type: none"> Site upgrades 	<ul style="list-style-type: none"> New capability Improved efficiency Additional capacity



ACQUISITION OF CROWN CHICKEN

- Acquired 8th April 2016
- Based in East Anglia
- Leading integrated poultry producer:
 - Breeds, rears and processes fresh chicken
 - Well invested and efficient milling operation
- Revenue of £83.8m and adjusted EBITDA of £6.6m (year ended 31st December 2015)
- Net cash consideration of £39.3m
- Management team remains with the business
- Acquisition is expected to be earnings enhancing in FY17



POULTRY STRATEGY

THE CRANSWICK MODEL



DEVELOP MULTI-CHANNEL STRATEGY

- Customer focus
- Drive quality and consistency
- Market insight
- INNOVATE
- Take preferred supplier and category captain status



OPTIMISE THE EFFICIENCY OF THE WHOLE VALUE CHAIN

- Benson Park
- Feed mill



OPTIMISE THE VALUE OF INDIVIDUAL CUTS

- Exploit the best markets for each



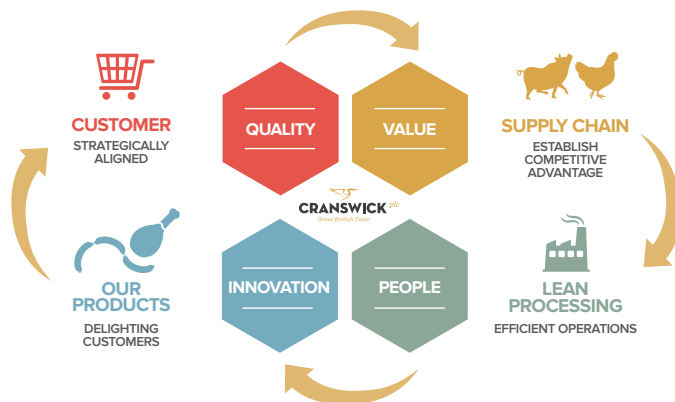
ECONOMIES OF SCALE & FIND OUR NICHE

- Premium
- Welfare and CSR with supply chain



CAPITAL INVESTMENT MODEL

- Capital investment required
- Market is demanding higher quality
- Technically more competent facilities



SUMMARY



STRONG PERFORMANCE

- Strong revenue and earnings growth
- Strong balance sheet and cash generation
- Strong growth in Far East export sales



ONGOING INVESTMENT

- Acquisition of Crown Chicken
- Ongoing investment in core asset base
- Continued development of key supply chains



POSITIVE OUTLOOK

- Pork and chicken competitively priced
- Gaining market share
- Growth strategy on track



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