

SUPPLEMENTARY INFORMATION

Financial Definitions

(NOT COVERED BY INDEPENDENT AUDITORS' REPORT)

1. Revenue

Volume performance

This represents the sales performance year-on-year, excluding pass-through pricing on raw material costs, currency impacts, acquisitions (net of disposals) and rationalisation volumes.

Volume performance is an important metric as it is seen as the key driver of top-line business improvement. This is used as the key revenue metric, as Kerry operates a pass-through pricing model with its customers to cater for raw material price fluctuations. Pricing therefore impacts like-for-like revenue performance positively or negatively depending on whether raw material prices move up or down. A full reconciliation to reported revenue performance is detailed in the revenue reconciliation below.

Revenue Reconciliation

	Volume performance	Price	Transaction currency	Acquisitions/ Disposals	Translation currency	Reported revenue performance
2020						
Taste & Nutrition	(3.0%)	0.1%	(0.1%)	1.2%	(2.6%)	(4.4%)
Consumer Foods	(2.6%)	1.2%	-	-	(0.7%)	(2.1%)
Group	(2.9%)	0.3%	(0.1%)	1.0%	(2.3%)	(4.0%)
2019						
Taste & Nutrition	4.0%	0.1%	-	5.8%	2.6%	12.5%
Consumer Foods	(2.2%)	(0.5%)	-	-	0.3%	(2.4%)
Group	2.8%	-	-	4.7%	2.1%	9.6%

2. EBITDA

EBITDA represents profit before finance income and costs, income taxes, depreciation (net of capital grant amortisation), intangible asset amortisation and non-trading items.

	2020 €'m	2019 €'m
Profit after taxation attributable to owners of the parent	554.1	566.5
Finance income	(0.2)	(0.3)
Finance costs	72.6	81.9
Income taxes	81.2	79.4
Non-trading items	19.4	110.9
Intangible asset amortisation	70.1	64.3
Depreciation (net of capital grant amortisation)	200.7	191.4
EBITDA	997.9	1,094.1

3. Trading Profit

Trading profit refers to the operating profit generated by the businesses before intangible asset amortisation and gains or losses generated from non-trading items. Trading profit represents operating profit before specific items that are not reflective of underlying trading performance and therefore hinder comparison of the trading performance of the Group's businesses, either year-on-year or with other businesses.

	2020 €'m	2019 €'m
Operating profit	707.7	727.5
Intangible asset amortisation	70.1	64.3
Non-trading items	19.4	110.9
Trading profit	797.2	902.7

4. Trading Margin

Trading margin represents trading profit, expressed as a percentage of revenue.

	2020 €'m	2019 €'m
Trading profit	797.2	902.7
Revenue	6,953.4	7,241.3
Trading margin	11.5%	12.5%

5. Operating Profit

Operating profit is profit before income taxes, finance income and finance costs.

	2020 €'m	2019 €'m
Profit before taxation	635.3	645.9
Finance income	(0.2)	(0.3)
Finance costs	72.6	81.9
Operating profit	707.7	727.5

6. Adjusted Earnings Per Share and Performance in Adjusted Earnings Per Share on a Constant Currency Basis

The performance in adjusted earnings per share on a constant currency basis is provided as it is considered more reflective of the Group's underlying trading performance. Adjusted earnings is profit after taxation attributable to owners of the parent before brand related intangible asset amortisation and non-trading items (net of related tax). These items are excluded in order to assist in the understanding of underlying earnings. A full reconciliation of adjusted earnings per share to basic earnings is provided below. Constant currency eliminates the translational effect that arises from changes in foreign currency year-on-year. The performance in adjusted earnings per share on a constant currency basis is calculated by comparing current year adjusted earnings per share to the prior year adjusted earnings per share retranslated at current year average exchange rates.

	2020 EPS cent	2019 EPS cent
Basic earnings per share	313.0	320.4
Brand related intangible asset amortisation	23.6	21.4
Non-trading items (net of related tax)	8.8	51.9
Adjusted earnings per share	345.4	393.7
Impact of retranslating prior year adjusted earnings per share at current year average exchange rates	-	(12.3)
Adjusted earnings per share on a constant currency basis	345.4	381.4
Performance in adjusted earnings per share on a constant currency basis	(9.4%)	8.3%

7. Free Cash Flow

Free cash flow is trading profit plus depreciation, movement in average working capital, capital expenditure, payment of lease liabilities, pensions costs less pension expense, finance costs paid (net) and income taxes paid.

Free cash flow is seen as an important indicator of the strength and quality of the business and of the availability to the Group of funds for reinvestment or for return to shareholders. Movement in average working capital is used when calculating free cash flow as management believes this provides a more accurate measure of the increase or decrease in working capital needed to support the business over the course of the year rather than at two distinct points in time and more accurately reflects fluctuations caused by seasonality and other timing factors. Average working capital is the sum of each month's working capital over 12 months. Below is a reconciliation of free cash flow to the nearest IFRS measure, which is 'Net cash from operating activities'.

	2020 €'m	2019 €'m
Net cash from operating activities	672.2	763.9
Difference between movement in monthly average working capital and movement in the financial year end working capital	6.2	(25.6)
Expenditure on acquisition integration and restructuring costs	39.7	89.1
Purchase of assets	(276.2)	(315.6)
Payment of lease liabilities	(37.0)	(35.5)
Proceeds from the sale of property, plant and equipment	2.4	32.8
Capital grants received	0.1	3.0
Exchange translation adjustment	4.6	2.5
Free cash flow	412.0	514.6

8. Cash Conversion

Cash conversion is defined as free cash flow, expressed as a percentage of adjusted earnings after taxation.

	2020 €'m	2019 €'m
Free cash flow	412.0	514.6
Profit after taxation attributable to owners of the parent	554.1	566.5
Brand related intangible asset amortisation	41.7	37.8
Non-trading items (net of related tax)	15.5	91.7
Adjusted earnings after taxation	611.3	696.0
Cash Conversion	67%	74%

9. Financial Covenants

The Net debt: EBITDA and EBITDA: Net interest ratios disclosed are calculated in accordance with lenders' facility agreements using an adjusted EBITDA, adjusted finance costs (net of finance income) and an adjusted net debt value to adjust for the impact of non-trading items, acquisitions net of disposals and deferred payments in relation to acquisitions. As outlined on page 198, these ratios are calculated in accordance with lenders' facility agreements and these agreements specifically require these adjustments in the calculation.

	Covenant	2020 Times	2019 Times
Net debt: EBITDA	Maximum 3.5	1.9	1.8
EBITDA: Net interest	Minimum 4.0	13.8	13.2

10. Average Capital Employed

Average capital employed is calculated by taking an average of the shareholders' equity and net debt - pre lease liabilities over the last three reported balance sheets plus an additional €527.8m relating to goodwill written off to reserves pre conversion to IFRS.

	2020 €'m	H1 2020 €'m	2019 €'m	H1 2019 €'m	2018 €'m
Shareholders' equity	4,655.5	4,508.5	4,562.2	4,186.5	4,034.4
Goodwill amortised (pre conversion to IFRS)	527.8	527.8	527.8	527.8	527.8
Adjusted equity	5,183.3	5,036.3	5,090.0	4,714.3	4,562.2
Net debt - pre lease liabilities	1,863.6	1,996.4	1,862.8	1,918.2	1,623.5
Total	7,046.9	7,032.7	6,952.8	6,632.5	6,185.7
Average capital employed	7,010.8		6,590.3		

11. Return on Average Capital Employed (ROACE)

This measure is defined as profit after taxation attributable to owners of the parent before non-trading items (net of related tax), brand related intangible asset amortisation and finance income and costs expressed as a percentage of average capital employed.

	2020 €'m	2019 €'m
Profit after taxation attributable to owners of the parent	554.1	566.5
Non-trading items (net of related tax)	15.5	91.7
Brand related intangible asset amortisation	41.7	37.8
Net finance costs	72.4	81.6
Adjusted profit	683.7	777.6
Average capital employed	7,010.8	6,590.3
Return on average capital employed	9.8%	11.8%

12. Total Shareholder Return

Total shareholder return represents the change in the capital value of Kerry Group plc shares plus dividends in the financial year.

	2020	2019
Share price (1 January)	€111.10	€86.50
Interim dividend (cent)	25.9	23.5
Dividend paid (cent)	55.1	49.2
Share price (31 December)	€118.50	€111.10
Total shareholder return	7.4%	29.3%

13. Market Capitalisation

Market capitalisation is calculated as the share price times the number of shares issued.

	2020	2019
Share price (31 December)	€118.50	€111.10
Shares in issue ('000)	176,700.0	176,514.9
Market capitalisation (€'m)	20,939.0	19,610.8

14. Enterprise Value

Enterprise value is calculated as per external market sources. It is market capitalisation plus reported borrowings less total cash and cash equivalents.

15. Total Net Debt

Total net debt comprises borrowings and overdrafts, interest rate derivative financial instruments, lease liabilities and cash at bank and in hand. See full reconciliation of total net debt in note 22 to the financial statements on pages 195 to 197.