

Taste & Nutrition

Kerry is the global leader in the development of taste and nutrition solutions for the food, beverage and pharmaceutical markets. Our broad technology foundation, customer-centric business model, and industry-leading integrated solutions capability make Kerry the co-creation partner of choice.

Revenue

2019

€6,018m

Volume Growth

4.0%

Trading Margin

2019

15.3%

Margin Expansion

+20bps



- Volume growth driven by Beverage and Food End Use Markets (EUMs) – led by Meat and Snacks
- Pricing 0.1% – reflecting broadly neutral raw material costs in the period
- Trading margin +20bps – key drivers were enhanced product mix, operating leverage and efficiencies, partially offset by investments for growth and Brexit risk management costs

Reported revenue increased by 12.5%, reflecting volume growth of 4.0%, pricing of 0.1%, favourable translation currency impact of 2.6% and contribution from business acquisitions of 5.8%.

This performance included the recent acquisitions of Fleischmann's (FVC) business, Southeastern Mills (SEM) and Ariake U.S.A., Inc. Trading profit grew by 14.1% to €918.5m, reflecting a 20 basis point improvement in trading margin to 15.3%.

Developing markets delivered strong volume growth of 10.0%, with APMEA developing markets being the main driver. Key drivers of growth were localisation, regulatory changes, food safety, convenience and home delivery, which drove increased new product development. Foodservice performed well, with volume growth of 5.5% despite some softness in the North American market.

Kerry's nutrition and wellbeing technology portfolio had a strong performance, as Kerry further evolved its position as the industry-leading nutrition and wellness partner across Beverage and Food EUMs, particularly in Meat and Snacks. Demand for great tasting products with improved nutritional attributes continued to accelerate across the globe. Our unique taste and nutrition positioning, food science expertise and deep understanding of the intersection of taste and nutrition were key drivers of increased innovation across a wide range of applications. This led to good sales growth in solutions incorporating Kerry's fermented ingredients, broad speciality protein portfolio, probiotics, TasteSense™, botanicals and natural extracts.



Americas Region



- 2.7% volume growth
- Solid performance in North America led by Food EUMs of Meat and Snacks
- LATAM performed well



Reported revenue in the region increased by 16.5% to €3,198m, reflecting 2.7% volume growth, 0.2% increase in net pricing, favourable translation currency impact of 4.4% and contribution from business acquisitions of 9.2%. North America delivered good volume growth against a backdrop of softer market volume growth rates.

Within the Food EUMs, Kerry's Meat sub-EUM delivered strong growth, with plant-based offerings in particular delivering an excellent performance, as customers continue to seek innovative solutions to meet the consumer demand for cleaner label and next generation offerings. This performance was complemented by the acquisition of the coatings and seasonings business of Southeastern Mills (SEM) which performed very well.

The Snacks sub-EUM delivered good growth, as Kerry's integrated solutions capability was key to a number of successful customer launches addressing consumer demands for new world taste and healthier snacking experiences. The Cereal & Sweet sub-EUM remained challenged and the Meals sub-EUM was impacted by churn within the category. The Dairy sub-EUM benefitted from the ongoing evolution of the ice cream category towards healthy indulgence and added wellness benefits.

While the Beverage EUMs were impacted by subdued market volume growth in Foodservice, there were a number of plant-based beverage launches and innovations utilising Ganeden® probiotics, contributing to a good finish to the year.

LATAM performed well with good growth in Brazil and Mexico, and a solid performance in Central America. The Beverage EUM delivered strong growth across the region, with particularly good growth in the ice cream category in Brazil and the Snacks sub-EUM in Mexico.

The global Pharma EUMs had a good performance, led by strong growth in excipients in North America.

Good progress was made on the integration of Fleischmann's (FVC) business and Ariake U.S.A., Inc, and both performed well. These were complemented by the acquisitions of Isoage Technologies, Biosecur Lab and Diana Food (Georgia, USA), further enhancing Kerry's leading authentic taste and clean label technology portfolio, which the Group plans to leverage in meeting the increasing demand across a broader range of applications.

Europe Region



- 2.0% volume growth
- Good performance in Beverage and Foods EUMs of Meat and Snacks
- Foodservice performed well across the region



Reported revenue in the region increased by 2.4% to €1,456m, reflecting 2.0% volume growth, 0.1% increase in net pricing, favourable translation currency impact of 0.1% and contribution from business acquisitions of 0.2%. This represented a good overall performance versus the marketplace, with Kerry's performance in the Foodservice channel contributing strongly to growth in the region.

Kerry's Beverage EUMs achieved strong broad-based growth across a number of sub-categories from low/non-alcoholic beverage, tea and coffee to plant-based offerings. There was a strong performance within Foodservice, as customers enhanced their beverage offerings across their menus, with a number of better-for-you and seasonal product launches incorporating Kerry's botanicals, natural extracts and sugar reduction technologies.

Within the Food EUMs, Kerry's Meat sub-EUM performed very well, with its industry-leading portfolio deployed to create solutions which met a variety of customer and consumer needs.

Strong growth and very good business development were achieved in plant-based meat alternatives, supported by the launch of the Radicle™ portfolio.

The Snacks sub-EUM performed well, with a number of new authentic world taste launches and healthy snack products incorporating Kerry's Ganeden® probiotics. The Confectionery sub-EUM achieved good growth through a number of local novel taste LTOs across the region.

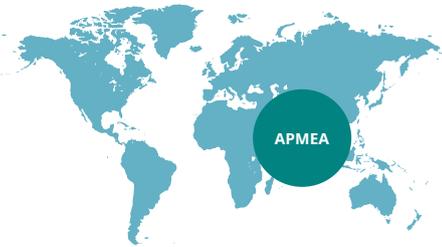
The Dairy EUM was impacted by softer demand in the ice cream category during the period. International dairy markets were relatively stable in the period, reflecting less volatility in global supply/demand dynamics.

Russia and Eastern Europe delivered good growth, as we continue to develop our presence and offering across the region. The Group also completed the acquisition of Pevesa Biotech – a specialist plant protein isolates and hydrolysates business based in Spain and serving key nutrition applications.

APMEA Region



- 10.3% volume growth
- Strong growth right across all Food and Beverage EUMs
- Good progress in strategic expansion and business development



Reported revenue in the region increased by 16.2% to €1,285m, reflecting 10.3% volume growth, 0.1% increase in net pricing, 0.1% favourable transaction currency impact, 0.6% favourable translation currency impact and contribution from business acquisitions of 5.1%. Key to the strong growth in the region was the further deployment of Kerry's business model with customers across existing and new markets. This approach was key in supporting our customers as they meet evolving local consumer demands.

Within the Food EUMs, Kerry's Meat sub-EUM delivered excellent growth with both global and regional customers, particularly in China and South East Asia, with a range of innovations meeting key consumer preferences for premium local authentic taste and a superior home delivery experience.

The Snacks sub-EUM delivered strong growth, particularly with savoury taste innovations that meet local consumer preferences.

Kerry's Beverage EUMs delivered strong growth underpinned by a number of successful launches in refreshing beverages with enhanced wellness and functional benefits. The branded DaVinci range enjoyed strong growth across the year.

We continued to make good progress in expanding our capacity and deploying our technology capabilities in the region. Our strategic expansion in China progressed well, as we upgraded the recently acquired SIAS facility to serve our customers in the Greater Beijing region, and continued the expansion programme at our Nantong facility. In June, the Group opened a new facility in Tumkur, India, which will serve our rapidly expanding South West Asia market. Further to the acquisition of AATCO at the end of 2018, the Group invested in expanding its capabilities in the Middle East region.