

Strong growth was achieved in the year,  
driven by good volume growth in  
Taste & Nutrition and the contribution  
from strategic acquisitions



**Edmond Scanlon** Chief Executive Officer

The food and beverage industry continues to evolve at pace, with a heightened focus on sustainability as consumers are demanding more, which is challenging traditional business models right along the end-to-end supply chain.

Consumers want great taste, including authentic, natural and local taste experiences. They want enhanced nutrition for better health and overall wellbeing, and they expect more convenient and affordable options to match today's on-the-go and digital lifestyles. Consumers are demanding that these experiences are produced and delivered without compromise, in ways that are good for people and the planet. Products are increasingly required to reflect consumers' values on sustainability and provide additional fulfilment by creating positive outcomes beyond the consumption occasion. Our Purpose to Inspire Food and Nourish Life helps define the key role Kerry plays in addressing these needs. As our customers continue to meet these rapidly changing consumer demands and increase speed to market, Kerry is best positioned as the co-creation partner of choice with our unique business model, broad taste and nutrition technology portfolio, and industry-leading integrated solutions capability.

The Group delivered a solid volume growth performance in the year. Taste & Nutrition achieved good volume growth in the Americas, a solid performance in Europe and continued strong growth in APMEA. Consumer Foods delivered a robust underlying performance versus the market, offset by the impact of the ready meals contract exit previously announced.

## Results

Group revenue on a reported basis increased by 9.6% to €7.2 billion reflecting volume growth of 2.8%, flat overall pricing, favourable translation currency impact of 2.1% and contribution from business acquisitions of 4.7%.

Taste & Nutrition delivered 4.0% volume growth and Consumer Foods' business volumes reduced by 2.2%.

Group trading margin increased by 30bps to 12.5%, resulting in an overall increase in trading profit of 12.1% to €903m. This trading margin increase reflects growth in both the Taste & Nutrition and Consumer Foods divisions.

Constant currency adjusted earnings per share increased by 8.3% to 393.7 cent (2018 currency adjusted: 363.5 cent). Basic earnings per share increased by 4.7% to 320.4 cent (2018: 305.9 cent).

Kerry's industry-leading research and development expenditure increased to €291m due to additional investment in Taste & Nutrition (2018: €275m). Net capital expenditure amounted to €315m (2018: €286m) as the Group continued to invest in its strategic priorities for growth, in particular authentic taste, clean label technologies and developing market facilities. The Group achieved free cash flow of €515m, reflecting cash conversion of 74% in the year (2018: €447m / 72%).

# 4.0%

 Volume Growth

## Taste & Nutrition

### Volume growth ahead of markets across Food and Beverage EUMs

Reported revenue increased by 12.5%, reflecting good volume growth, significant contribution from business acquisitions and a favourable translation currency impact. Trading profit grew by 14.1% to €918.5m, reflecting a 20bps improvement in trading margin to 15.3%.

# 2.7%

 Volume Growth

## Americas

### Volume growth in the Americas driven by Food EUMs of Meat and Snacks

Reported revenue in the region increased by 16.5% to €3,198m, reflecting 2.7% volume growth, 0.2% increase in net pricing, a 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. LATAM performed well with good growth in Brazil and Mexico, and a solid performance in Central America.

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, 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 Beverage EUMs had a number of plant-based beverage launches and innovations utilising Ganeden® probiotics, contributing to a good finish to the year.

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, Biosecure 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 increasing demand across a broader range of applications.



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2.0% Volume Growth

Europe

**Volume growth in Europe driven by Beverage and Food EUMs of Meat and Snacks**

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

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 was 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 Group also completed the acquisition of Pevesa Biotech – a specialist plant protein isolates and hydrolysates business based in Spain and serving key nutrition applications.



10.3% Volume Growth

APMEA

**Volume growth in APMEA driven by strong growth across all Food and Beverage EUMs**

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.

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.

## Consumer Foods

Delivered a solid underlying performance in the context of a subdued market

Reported revenue decreased by 2.4% to €1,307m, reflecting a 2.2% reduction in volumes, 0.5% decrease in net pricing and a favourable translation currency impact of 0.3%. Excluding the impact of the previously reported ready meals contract exit, Kerry delivered a robust performance in the context of a subdued UK marketplace, where lower consumer confidence impacted overall market volumes. The divisional trading margin increased by 10bps to 7.6%. Trading profit decreased by 1.2% to €98.9m in the year. The Realignment Programme was completed during the year and delivered to plan.

The Richmond chilled sausage range delivered a solid performance, led by growth in chicken sausages and the new plant-based sausage which was launched at the end of September, along with a range of meat-free products under the Naked Glory brand. The Denny brand in Ireland performed well. A number of business wins supported our overall performance within spreads.

Chilled meals continued to be impacted by reduced promotional activity, while frozen meals had a good performance across the range. As previously announced, production ceased in the ready meals facility in Burton in September and the site was sold prior to the year end.

The Cheestrings range had strong growth supported by a number of innovations. Fridge Raiders also extended its snacking range to reach a broader consumer market.



## Future Prospects

Our markets and the end-to-end supply chain are experiencing unprecedented disruption, as consumers are demanding more than ever before, and traditional business models are being challenged as a result. What consumers want from food and beverage offerings is changing at pace. They want great tasting products that nourish their bodies, enhance their lives and are sustainable for the planet. New entrants and challenger brands have added significant fragmentation to the marketplace. Key for customers to win in this fast-moving environment is the ability to bring more products to market and to do so quicker. This changing marketplace is creating a significant opportunity for enterprises that can deliver on these new requirements. Kerry's unique business model, broad taste and nutrition technology portfolio, and industry-leading integrated solutions capability positions it as the co-creation partner of choice for the food, beverage and pharma industries.

Over the past number of weeks, we have been working with our team in China to manage the ongoing developments relating to the coronavirus. Our first priority remains the safety of our people and their families. Our team in China is taking all appropriate protective measures in our facilities and we are working with the Chinese authorities, our customers and other stakeholders to manage through the situation. We have included in our full year guidance the estimated first quarter impact on our China business.

Taste & Nutrition has strong growth prospects, as we continue to further deploy our industry-leading business model in supporting our customers. Consumer Foods continues to selectively focus on growth opportunities.

The Group will continue to invest for growth aligned to the changing market landscape and pursue M&A opportunities aligned to our strategic growth priorities.

The Group has a strong innovation pipeline and remains confident in its ability to continue to outperform its markets.

**Edmond Scanlon**  
Chief Executive Officer  
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