



Q1 Interim Management Statement 2022

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## KERRY GROUP Q1 INTERIM MANAGEMENT STATEMENT 2022

# Continued strong business growth through the first quarter

### OVERVIEW

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- > Group volume growth 5.6% (6.3%<sup>1</sup> LFL volume growth)
  - Taste & Nutrition 6.8%
  - Dairy Ireland 0.7%<sup>1</sup>
- > Group pricing 5.8% (6.6%<sup>1</sup> LFL pricing)
- > Group organic growth 11.4% (12.9%<sup>1</sup> LFL organic growth)
- > Group EBITDA margin +10bps
- > Full year EPS guidance reaffirmed

<sup>1</sup> Like-for-like (LFL) growth rates exclude the Consumer Foods Meats & Meals business disposal

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### Edmond Scanlon, Chief Executive Officer

"We were pleased with our start to the year despite challenging conditions in a number of markets. Taste & Nutrition achieved continued strong growth, particularly in developed markets. This growth was led by the Meat, Snacks and Bakery end use markets. Growth in the retail channel remained strong while foodservice continued its excellent overall growth in the period.

We also made good progress on the strategic front, enhancing our biotechnology portfolio with the acquisition of c-LEcta<sup>2</sup>, while expanding our local presence in emerging markets with the acquisition of Almer<sup>2</sup> in Southeast Asia and further enhancing our footprint in the Middle East and Africa.

As overall market conditions remain highly dynamic, we are actively managing the inflationary environment in close collaboration with our customers. As previously announced, we have taken the decision to suspend our operations in Russia and Belarus and we continue to work through the challenges presented in China since the introduction of localised restrictions.

As we commence a new strategic cycle, the progress we've made positions us strongly for growth. We are reaffirming our full year earnings guidance."

### Markets and Performance

The overall demand environment remained positive through the period, as consumers moved to more normalised work environments and increased their social engagement. Overall mobility approached pre-pandemic levels, with travel and out-of-home eating occasions continuing to increase. As consumer preferences continue to evolve with increased demand for new food and beverage experiences, sustainability remains a key factor in purchasing decisions, while overall price inflation has now moved into the consciousness of many consumers.

These dynamics are leading to challenges for customers who continue to pursue more focused innovation strategies to meet these evolving needs, while they seek to ensure continuity of supply and navigate the current inflationary environment.

Group reported revenue increased by 8.1% in the period. This comprised of business volume growth of 5.6%, increased pricing of 5.8%, a translation currency tailwind of 5.4% and contribution from business acquisitions of 4.0%, partially offset by the impact of the business disposal of the Consumer Foods Meats & Meals business of 12.7%.

Group EBITDA margin increased by 10bps primarily driven by accretion from recent portfolio developments, operating leverage and mix, offset by the impact of passing through input cost inflation.

## Business Reviews

### Taste & Nutrition

#### Continued good growth in the retail channel and excellent growth in foodservice

- > Overall volume growth of 6.8% with strong growth across many developed markets
- > Food EUMs of Meat, Bakery and Snacks achieved excellent growth
- > Pricing of 4.6% reflected the pass through of increases in raw material input costs

Taste & Nutrition delivered strong overall growth in the period, driven by performance across many developed markets. The foodservice channel achieved strong double digit volume growth, reflective of continued business momentum and lower comparatives at the beginning of the prior year. The retail channel delivered good growth levels driven by Meat, Snacks and Bakery markets. This growth was supported by continued strong demand for Kerry's food waste solutions as customers continue to evaluate the sustainability credentials of their offerings, while good growth was achieved within authentic taste with a number of new business wins.

Business volumes in emerging markets increased by 7.9%, as strong growth in LATAM, the Middle East and Southeast Asia was partially offset by challenging conditions in China.

### Americas Region

- > Overall volume growth of 6.7% led by Meat, Bakery and Meals
- > Retail channel delivered good growth, with continued momentum in the foodservice channel
- > LATAM delivered strong growth led by Mexico and Brazil

North America delivered a very good performance led by Meat and Meat Alternatives, as strong growth was achieved through taste innovations and increased demand for Kerry's food protection and preservation solutions. This growth was supported by the Group's new manufacturing facility in Rome, Georgia.

Bakery delivered strong growth through customer launches with cleaner labels and added functionality, together with a step-up in LTOs within the foodservice channel. Meals achieved very strong growth through new taste solutions with quick service and fast casual foodservice restaurant customers. Overall growth in foodservice was strong in the period, underpinned by innovations to reduce complexity in back of house operations, targeted menu development and increased seasonal menu offerings. The previously announced acquisition of Natreon, Inc.<sup>2</sup> also completed in the period.

Within LATAM, Brazil and Mexico delivered strong growth. Volume growth in Brazil was driven by performance in Meat and ice cream, while growth in Mexico was led by new launches in Meat and within the Snacks category with regional leaders.

Within the global Pharma EUM, good volume growth was achieved in cell nutrition.

### Europe Region

- > Volume growth of 8.5% led by Meat, Dairy and Beverage
- > Retail channel delivered good growth, with strong growth in foodservice against lower prior year comparatives
- > Growth in the region was led by the UK, Central Europe and Southern Europe

The region achieved strong growth across food and beverage markets in the period. Within the Food EUM, growth was strong in Meat through new launch activity in healthier coatings, authentic taste innovations and clean smoke solutions. Growth in Dairy was supported by recent dairy alternative launches in the foodservice channel, while good growth in Snacks was achieved through new savoury taste solutions and healthier snacking. Within the Beverage EUM, growth was driven by innovations in nutritional beverages with functional claims and through low/non-alcohol launches incorporating Kerry's botanicals, natural extracts and sugar reduction technologies.

Growth in the region was strongest in developed markets in the period, led by growth in the UK, followed by Central and Southern Europe, while performance in Russia and Eastern Europe was impacted by the war in the region.

In the period the Group completed the acquisition of c-LEcta GmbH<sup>2</sup>, which is a leading biotechnology innovation company based in Leipzig, Germany.

### APMEA Region

- > Volume growth of 6.2% driven by strong growth in the Middle East and Southeast Asia
- > Growth led by Snacks, Meat and Bakery
- > Foodservice achieved good overall growth and retail performed well

Growth in the region was primarily driven by strong growth in the Middle East and a very good overall performance across Southeast Asia, partially offset by challenges resulting from the localised restrictions in China.

Overall growth was strong across Food EUMs. Excellent growth was achieved in Snacks with regional leaders across the Middle East and Southeast Asia. Growth in Meat was led by local authentic taste and texture solutions, while growth in Bakery was supported by new launch activity and increased demand

for functional systems.

Kerry continued its expansion in the region with the acquisition of Almer Malaysia Sdn Bhd<sup>2</sup> and the opening of its Jeddah, Saudi Arabia operation, which enhances the Group's capability to deliver sustainable taste and nutrition solutions for local customers and consumers.

## Dairy Ireland

### Solid growth as business saw significant price inflation across the period

- > Overall volume growth of 0.7%<sup>1</sup> with increases across both Dairy Consumer Products and Dairy Ingredients
- > Pricing of 18.7%<sup>1</sup> reflected significant increases in dairy prices and raw material costs

In the Dairy Ireland segment, solid overall volume growth was achieved as the business saw significant price increases across the period.

Within Dairy Consumer Products, good volume growth was achieved right across the dairy snacking range, led by Cheestrings with increased out-of-home consumption. Volumes in spreadable butter were lower due to reduced promotional activity, while the cheese category had strong comparatives due to a higher level of at-home consumption in the prior year.

Dairy Ingredients performance reflected significant higher prices as a result of constrained global supply dynamics.

<sup>2</sup> In March 2022, Kerry completed the following acquisitions:

- 100% of the share capital of the company Almer Malaysia sdn Bhd "Almer"
- 100% of the issued share capital of the company Natreon Inc. "Natreon"
- c.93% of the issued share capital of the company c-LEcta GMBH "c-LEcta"

## Financial Review

At the end of March, the Group's net debt of €2.3 billion reflected overall acquisition spend. The Group's consolidated balance sheet remains strong which will facilitate the continued organic and acquisitive growth of Group businesses. As announced on 16 February, the Group has proposed a final dividend of 66.7 cent per share for approval at the Annual General Meeting.

## Future Prospects

Our markets remain highly dynamic with a good overall demand environment, despite current uncertain market conditions in places. While our industry is experiencing a period of heightened inflation, we remain confident in our ability to manage through this current cycle with our well-established pricing model and cost initiatives. Kerry remains strongly positioned for growth with a good innovation pipeline. We expect to achieve adjusted earnings per share growth in 2022 of 5% to 9% on a constant currency basis.

## Disclaimer: Forward Looking Statements

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