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KERRY GROUP

PRELIMINARY STATEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

A Year of Record Growth in a Dynamic Operating Environment

OVERVIEW

- > Group revenue of €8.8 billion reflecting 18.0%¹ organic growth
 - > Group volume growth of 6.1% and pricing of +11.7%
 - > Taste & Nutrition volume +7.8% | pricing +8.7%
 - > Dairy Ireland volume +0.2%² | pricing +36.0%²
 - > EBITDA increased by 12.9% to €1.2 billion
 - > EBITDA margin of 13.9% (2021: 14.7%)
 - > Adjusted EPS of 440.6 cent; +7.3% in constant currency (15.7% reported currency growth)
 - > Basic EPS of 341.9 cent (2021: 430.6 cent)
 - > Free cash flow of €640m reflecting 82% cash conversion
 - > Final dividend per share of 73.4 cent (total 2022 dividend up 10.1% to 104.8 cent)
 - > Strong progress on sustainability commitments including increasing our nutritional reach to 1.2 billion consumers
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Edmond Scanlon, Chief Executive Officer

“As we marked Kerry’s 50th year in 2022, we achieved record organic revenue growth against the backdrop of an exceptionally dynamic operating environment. I am proud of the broad-based volume growth we delivered across our end use markets, channels, regions and emerging markets despite the macroeconomic conditions. Our teams worked closely with our customers to actively manage through the inflationary environment, while continuing to innovate and develop their offerings to meet evolving marketplace needs.

We made good strategic progress in the year through development of our innovation platforms, footprint expansion and continued portfolio development. We completed a number of acquisitions aligned to our strategic priorities of Taste, Nutrition and Emerging Markets, and since year-end we announced the potential sale of our Sweet Ingredients Portfolio, as we continue to enhance and refine our business to areas where we can add most value.

While recognising the current market uncertainty, we believe we are strongly positioned to continue to grow our business through this period. In 2023, we expect to achieve 3% to 7% adjusted earnings per share growth on a constant currency basis, before the dilution from the potential sale of the Sweet Ingredients Portfolio.”

¹ Comprises volume growth of 6.1%, positive pricing of 11.7% and a favourable transaction currency impact of 0.2%

² Pro-forma performance of re-presented segmental structure excluding the Consumer Foods Meats and Meals business disposal in 2021

Performance

Group reported revenue in the year increased by 19.3% to €8.8 billion. This reflected volume growth of 6.1%, increased pricing of 11.7%, favourable transaction currency of 0.2%, favourable translation currency of 6.8% and contribution from business acquisitions of 4.3%, partially offset by the impact of business disposals of 9.8%.

Group EBITDA increased by 12.9% to €1.2 billion, with an EBITDA margin of 13.9% (2021: 14.7%), as the dilution from the impact of passing through input cost inflation was partially offset by accretion from portfolio developments, operating leverage, mix and efficiency initiatives.

Constant currency adjusted earnings per share increased by 7.3% to 440.6 cent (2021: 12.1% increase). Basic earnings per share was 341.9 cent (2021: 430.6 cent) as the prior year included a credit from the sale of the Consumer Foods Meats and Meals business. The Board recommends a final dividend of 73.4 cent per share, an increase of 10.0% on the final 2021 dividend. Together with the interim dividend of 31.4 cent per share, this brings the total dividend for the year to 104.8 cent, an increase of 10.1% on 2021.

Research and development expenditure amounted to €303m (2021: €297m) and net capital expenditure was €217m (2021: €315m) as the Group continued to invest in its strategic priorities of Taste, Nutrition and Emerging Markets. Free cash flow for the year was €640m (2021: €566m) representing cash conversion of 82%.

Good progress was made in the year against the *Beyond the Horizon* sustainability strategy and commitments. Kerry increased its nutritional reach to 1.2 billion consumers globally. The Group achieved a 48% reduction in Scope 1 & 2 carbon emissions¹, while strong progress was made in reducing food waste in Kerry's operations by 32%¹.

Markets

The overall demand environment remained robust through the year despite the macroeconomic backdrop. Consumers continued to seek new taste experiences, cleaner labels and added functional benefits through food and beverages. The cost-of-living crisis has resulted in many consumers looking for relative value options to meet their purchase preferences, depending on their available resources.

Customers continued to prioritise the resiliency of their supply chains through this period of inflationary pressure. Innovation has become increasingly more targeted, as they seek to meet various consumer preferences within different price ranges. Customers are working with and looking for supplier partners to support them in addressing these current market challenges and opportunities, as they navigate through this dynamic operating environment.

¹ Progress vs 2017 baseline

Business Reviews

Taste & Nutrition

Excellent growth across our end use markets, regions and channels

	2022	Performance ¹
Revenue	€7,417m	7.8% ²
EBITDA	€1,220m	+20.4%
EBITDA margin	16.5%	-120bps

¹ performance of re-presented segmental structure | ² volume growth

- > Overall volume growth of 7.8% with strong Q4 performance of 6.1%
- > Very strong growth across our Food and Beverage EUMs – particularly Meat, Snacks, Dairy and Bakery
- > Retail channel volume growth of 5.5% and foodservice growth of 14.0%
- > Pricing of 8.7% reflected the management of input cost inflation
- > EBITDA margin reduction resulting from the effect of passing through input cost inflation

Taste & Nutrition reported revenue increased by 29.4% to €7.4 billion in the year. This reflected volume growth of 7.8%, increased pricing of 8.7%, favourable transaction currency of 0.2% and translation currency of 8.2%, with a contribution from acquisitions (net of disposals) of 4.5%.

Very strong volume growth was achieved through the year across all regions despite the backdrop of managing significant price increases and supply chain constraints. This volume growth was supported by strong performances in authentic taste technologies across botanicals, natural extracts and Tastesense[®] salt and sugar reduction, while Kerry's range of food waste reduction technologies continued to perform well.

The retail channel delivered strong growth with customers targeting innovation around new taste experiences, relative value options, improved nutrition and food waste reduction. Kerry's foodservice channel delivered very strong growth through seasonal products and limited time offerings, combined with continued co-development on back-of-house efficiencies. Business volumes in emerging markets increased by 10.4% in the year, as very strong growth in the Middle East, Southeast Asia and LATAM were partially offset by challenging conditions in China.

Americas Region

- > Volume growth of 8.4% with Q4 performance of 6.2%
- > Growth led by Meat, Beverage and Bakery
- > Very strong growth across both retail and foodservice channels
- > LATAM delivered excellent growth

Revenue in the region increased by 33.0% to €4.2 billion in the year. This reflected volume growth of 8.4%, increased pricing of 7.4%, favourable transaction currency of 0.1% and favourable translation currency of 12.5%, with a contribution from acquisitions of 4.6%.

Growth in North America remained strong across both retail and foodservice channels through the year. This was led by an excellent performance in Meat and Meat Alternatives across food preservation, culinary taste, texture systems and clean-smoke technologies. Performance in the Beverage EUM continued to be strong, driven by new innovations incorporating Kerry's authentic natural taste, coffee extract and Tastesense[®] sugar reduction technologies. Bakery achieved good growth through increased demand for functional solutions and texture systems, while Snacks continued to deliver strong growth with category leaders. Growth in foodservice remained strong due to seasonal and promotional menu offerings, as well as new launches enhancing back-of-house efficiency for customers across both food and beverage applications.

LATAM delivered excellent growth across the year led by Mexico and Brazil. Volume growth in Mexico was strong across Beverage and Snacks, supported by wins in authentic taste, while volumes in Brazil were driven by performance in Meals and Meat.

Within the global Pharma EUM, volumes in excipients were lower in the year due to supply chain constraints.

During the year, the Group acquired the B2B powdered cheese business and related assets³ of The Kraft Heinz Company based in the US, enhancing Kerry's scale, manufacturing capability and customer base in the snacking category.

Europe Region

- > Volume growth of 6.2% with Q4 performance of 6.1%
- > Snacks, Dairy and Meals delivered strongest growth
- > Growth led by foodservice while retail performed well

Revenue in the region increased by 25.1% to €1.5 billion in the year. This reflected volume growth of 6.2%, increased pricing of 13.9%, favourable transaction currency of 0.2% and translation currency of 2.1%, with a contribution from acquisitions (net of disposals) of 2.7%.

Growth in the year was particularly strong given the economic backdrop in the region. The Snacks EUM delivered strong growth through savoury taste launches and Kerry's Tastesense® salt reduction technology portfolio, given increased customer focus on enhancing product nutritional profiles. Growth in Dairy was supported by new innovations in ice-cream and dairy alternative launches in the foodservice channel, while Meals continued to achieve good growth through taste systems and functional solutions. Performance in the foodservice channel was supported by continued innovation with quick service restaurants on new menu development and seasonal products.

Growth across the region was strongest in Central and Southern Europe, while the UK and Ireland had a very strong finish to the year. Performance in Eastern Europe was impacted by the ongoing war in the region. During the year, the Group divested its operations in Russia and Belarus, while further investing in its biotechnology capabilities with the acquisition of c-LEcta³, which is a leading biotechnology innovation company based in Leipzig, Germany.

APMEA Region

- > Volume growth of 8.1% with Q4 performance of 5.9%
- > Growth led by Snacks, Meat and Bakery
- > Middle East and Southeast Asia achieved excellent growth

Revenue in the region increased by 26.8% to €1.7 billion in the year. This reflected volume growth of 8.1%, increased pricing of 7.1%, favourable transaction currency of 0.2% and translation currency of 4.5%, with a contribution from acquisitions of 6.9%.

Growth in the region was primarily driven by very strong performances in the Middle East and Southeast Asia, partially offset by performance in China, which was impacted by localised COVID-19 related restrictions across the course of the year.

Overall growth was strong across all end use markets and channels. Snacks achieved very strong growth driven by local authentic taste innovations with regional leaders. Growth in Meat was led by savoury taste and smoke innovations, particularly in the foodservice channel, while growth in Bakery was supported by texture solutions and increased demand for preservation systems.

The Group continued to enhance its local presence in the region through the acquisition of Almer³ in Malaysia and its continued footprint expansion in the Middle East, which has become an important contributor to growth in the region.

³ In March 2022 Kerry acquired 93% of the issued share capital of the company c-LEcta GmbH – 'c-LEcta'

In March 2022 Kerry acquired 100% of the issued share capital of the company Almer Malaysia Sdn. Bhd. – 'Almer'

In September 2022 Kerry acquired the B2B powdered cheese business and related assets of The Kraft Heinz Company as a carve out business acquisition

Dairy Ireland

Solid performance in a year of significant inflation

	2022	Pro-forma ⁴ Performance	Reported Performance
Revenue	€1,539m	+0.2% ⁵	+0.1% ⁵
EBITDA	€71m	+0.6% ⁶	-48.0%
EBITDA margin	4.6%	-170bps	-310bps

- > Overall volume growth of 0.2%⁴ with Q4 volumes of -4.0%⁴ against very strong prior year comparatives
- > Pricing of 36.0%⁴ reflected significant increases in dairy prices and other input costs
- > EBITDA margin reduction resulting from the effect of passing through input cost inflation

Dairy Ireland reported revenue in the year was €1.5 billion, which represented an increase of 37.1% on a pro-forma basis, driven primarily by increased pricing. Overall reported revenue decreased by 13.4%, as increased pricing was more than offset by the impact of the Meats and Meals business disposal in the prior year.

Overall volumes in Dairy Ireland were similar to the prior year, with the heightened inflationary cost environment resulting in significant price increases across the business.

Within Dairy Consumer Products, overall category volumes in the year were lower, reflective of significant price increases and strong prior year comparatives. Within the spreads category, good performance was achieved across Kerry's customer-branded ranges, while cheese snacking volumes were impacted by reduced promotional activity across the year.

Dairy Ingredients delivered volume growth, while prices remained significantly higher as a result of constrained global supply dynamics.

⁴ Pro-forma performance of re-presented segmental structure excluding the Consumer Foods Meats and Meals business disposal

⁵ Volume growth | ⁶ Comparable 2021 pro-forma EBITDA was €70m

Financial Review

	% change	2022 €'m	2021 €'m
Revenue	+19.3%	8,771.9	7,350.6
EBITDA	+12.9%	1,216.1	1,077.0
<i>EBITDA margin</i>		13.9%	14.7%
Depreciation (net)		(221.6)	(201.5)
Computer software amortisation		(31.8)	(34.6)
Finance costs (net)		(66.2)	(69.9)
Share of joint ventures' results after taxation		(0.4)	-
Adjusted earnings before taxation		896.1	771.0
Income taxes (excluding non-trading items)		(114.5)	(96.2)
Adjusted earnings after taxation	+15.8%	781.6	674.8
Brand related intangible asset amortisation		(50.9)	(46.2)
Non-trading items (net of related tax)		(124.2)	134.4
Profit after taxation		606.5	763.0
		EPS cent	EPS cent
Basic EPS	(20.6%)	341.9	430.6
Brand related intangible asset amortisation		28.7	26.0
Non-trading items (net of related tax)		70.0	(75.8)
Adjusted* EPS	+15.7%	440.6	380.8
Impact of exchange rate translation	(8.4%)		
Adjusted* EPS growth in constant currency	+7.3%		

* Before brand related intangible asset amortisation and non-trading items (net of related tax).

See Financial Definitions section for definitions, calculations and reconciliations of Alternative Performance Measures.

Revenue

The table below presents the revenue growth components for the Group and reporting segments. The Dairy Ireland segment is also presented on a pro-forma basis post the disposal of the Consumer Foods Meats and Meals business.

2022	Volume	Price	Currency ¹	Acquisitions	Disposals	Reported Revenue Growth
Taste & Nutrition	7.8%	8.7%	8.4%	5.6%	(1.1%)	29.4%
Dairy Ireland Pro-forma	0.2%	36.0%	0.9%	–	–	37.1%
Dairy Ireland Reported	0.1%	22.8%	1.3%	–	(37.6%)	(13.4%)
Group	6.1%	11.7%	7.0%	4.3%	(9.8%)	19.3%

EBITDA & Margin %

Group EBITDA increased **12.9%** from €1.1bn to **€1.2bn** driven primarily by the strong volume performance in Taste & Nutrition. Reported EBITDA margin of **13.9%** (2021: 14.7%) reflects the pricing impact on margin of **180bps**, offset by the positive impacts of portfolio development, operating leverage, mix and efficiencies.

Computer Software Amortisation

Computer software amortisation decreased by **€2.8m** to **€31.8m** (2021: €34.6m) reflecting the completion of the KerryConnect programme and the disposal of the Meats and Meals business.

¹ This includes the impact of transaction and translation currency

Brand Related Intangible Asset Amortisation

Brand related intangible asset amortisation increased to **€50.9m** (2021: €46.2m) which is reflective of recent acquisition activity.

Finance Costs (net)

Finance costs (net) for the year decreased by **€3.7m** to **€66.2m** (2021: €69.9m) primarily due to deposit interest earned on cash at bank. The Group's average cost of finance for the year was **2.3%** (2021: 2.7%).

Taxation

The tax charge for the year before non-trading items was **€114.5m** (2021: €96.2m) representing an effective tax rate of **13.5%** (2021: 13.3%) and reflective of the geographical mix of earnings.

Non-Trading Items

During the year, the Group incurred a non-trading charge of **€124.2m** (2021: €134.4m credit) net of tax. The charge in the year primarily related to the impairment of the Group's Russia and Belarus assets and the previously announced Accelerate Operational Excellence transformation programme, which predominantly reflects consultancy fees, project management costs and costs of streamlining operations while we work to enhance our continuous improvement in manufacturing processes and deliver step-change manufacturing excellence across the organisation. The credit in the prior year primarily related to the gain on the disposal of the Meats and Meals business, partially offset by costs related to acquisition integration.

Foreign Exchange

Group results are impacted by year-on-year fluctuations in exchange rates versus the euro. The primary rates driving the currency impact in the figures above were USD and GBP which had average rates of **1.05** (2021: 1.19) and **0.85** (2021: 0.86) respectively.

Return on Average Capital Employed (ROACE)

In 2022, the ROACE for the Group was **10.3%** (2021: 10.5%). The movement is primarily due to the timing of acquisitions and divestments and the translation impact on underlying assets.

Free Cash Flow

In 2022, the Group achieved free cash flow of **€640.4m** (2021: €566.1m) reflecting 82% cash conversion in the year.

	2022	2021
Free Cash Flow	€'m	€'m
EBITDA	1,216.1	1,077.0
Movement in average working capital	(201.4)	(37.7)
Pension contributions paid less pension expense	(15.7)	(14.7)
Finance costs paid (net)	(62.0)	(71.3)
Income taxes paid	(80.0)	(72.0)
Purchase of non-current assets	(254.7)	(334.6)
Sales proceeds on disposal of non-current assets	38.1	19.4
Free cash flow	640.4	566.1
Cash conversion ²	82%	84%

² Cash conversion is free cash flow expressed as a percentage of adjusted earnings after taxation

The average working capital investment in the year was primarily due to the strong volume growth and the unprecedented level of inflation. This reflected in a year on year investment in working capital of €224m from December 2021 to December 2022. Overall capital expenditure in the year was lower due to timing of projects and the conclusion of a number of significant investments in 2021, including the rollout of KerryConnect in North America.

Total Net Debt

Total net debt at the end of the year was **€2,217.4m** (2021: €2,124.1m).

Key Financial Ratios

The Group's balance sheet is in a strong position. With a Net debt to EBITDA ratio of **1.8** times, the Group has sufficient headroom to support future growth plans.

	2022	2021
Net debt: EBITDA	1.8	2.0
EBITDA: Net interest	18.1	14.9

Financing

Undrawn committed facilities at the end of the year were **€1,100m** (2021: €1,100m) while undrawn standby facilities were **€343.0m** (2021: €337.0m).

Share Price and Market Capitalisation

The share price at 31 December 2022 was **€84.24** (2021: €113.25) giving a market capitalisation of **€14.9bn** (2021: €20.0bn). Total shareholder return was **-24.7%** (2021: -3.7%) as share prices and valuations across the sector were adversely impacted by significant increases in interest rates and macroeconomic developments in the year.

Dividend and Annual General Meeting

During the year, the Group paid an interim dividend of 31.4 cent per A ordinary share, which was an increase of 10.2%. The Board has proposed a final dividend of 73.4 cent per A ordinary share, payable on 12 May 2023 to shareholders registered on the record date of 14 April 2023. When combined with the interim dividend, the total dividend for the year amounts to 104.8 cent per share (2021: 95.2 cent per share), which is an increase of 10.1% over last year's dividend. The Group's aim is to have double digit dividend growth each year. Over 35 years as a listed company, the Group has grown its dividend at a compound rate of 16.1%.

Kerry's Annual General Meeting is scheduled to take place on 27 April 2023.

Future Prospects

The Group began its 2022-2026 strategic cycle with a strong year of growth, good overall financial performance and continued progress against Kerry's *Beyond the Horizon* sustainability commitments.

At the outset of 2023, while market conditions are currently uncertain, Kerry remains strongly positioned for growth ahead of its markets. The Group will continue to manage input cost fluctuations with its well-established pricing model. Kerry will continue to invest capital aligned to its strategic priorities and strategically evolve its portfolio.

In 2023, the Group expects to achieve 3% to 7% adjusted earnings per share growth on a constant currency basis, before an expected 2% dilution in the year from the potential sale of the Sweet Ingredients Portfolio.

Disclaimer

This Announcement contains forward looking statements which reflect management expectations based on currently available data. However actual results may differ materially from those expressed or implied by these forward looking statements. These forward looking statements speak only as of the date they were made, and the Company undertakes no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.

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