

Hilton Foods Group

Full Year Results 2025

Webcast

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Transcript



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Mark Allen OBE:

Good morning, everyone, and thank you for joining us. We're pleased to present our 2025 full year results today. Joining me this morning are Matt Osborne, CFO, Mel Chambers, COO for the East region, Samy Zekhout, COO for the West region, and Martyn Espley, Investor Relations director. You all know Matt and are getting to know Martyn, but I also think it's important that you get to meet more of the wider leadership team, and I'll ask Mel and Samy to say a few words about themselves when they present later. I should mention Hannah Surtees is also with us today. Hannah's handed over the investor relations back into Martyn. Going forward, she's going to head up our communications team and work closely with me on our strategy. I'd like to thank Hannah for the sterling job she'd done in recent years and saying how much I'm enjoying working with her.

Over the next 35 minutes, we'll take you through the key highlights of the year, including our financial performance and our refresh strategy. Then there'll be time for questions.

Let's start with our 2025 full year. Overall, we delivered solid financial performance in what has been a challenging operating environment. Adjusted profit before tax was £73.2 million, which is down around 3% year on year. This reduction reflects the impact of the disposal of Fairfax Meadow, together with the challenges in our seafood businesses and Dalco. Importantly, performance in our core meat operations in this challenging environment were stable. This demonstrates the resilience of our core business. We made good commercial progress during the year. We secured contract extensions in both the Netherlands and Denmark. This reinforces the strength of our longstanding customer relationships and the value we continue to deliver to our retail partners. In terms of our growth investments, our projects in Canada and Saudi Arabia remain on track. These are important platforms for future expansion, and we continue to expect them to contribute from 2027 onwards.

Alongside this, we're planning to invest up to £30 million to expand capacity in Poland. This will enable us to benefit from attractive growth opportunities in fresh prepared foods. It will also strengthen our position in Central Europe. Looking ahead, our 2026 outlook remains unchanged since the January trading update. We expect adjusted profit before tax to be in the range £60 to £65 million. This year-on-year reduction largely reflects continued challenges in our seafood, vegetarian, and vegan businesses. Remain cautious on the impact of red meat inflation. Finally, we've refreshed our strategy. Going forward, we'll focus on growth plans and investment on our core meat and fresh prepared food activities. We will also implement plans in Seachill, Foppen, and Dalco to improve performance and increase strategic optionality. As part of our strategic refresh, we've also updated our financial framework. We have a clear focus on delivering sustainable profit growth, disciplined investment, and compelling returns for shareholders.

So while 2025 has had its challenges, we've made important changes in several areas and continue to position the business for long-term growth and value creation. I'll now hand you over to Matt to take you through our four-year 2025 performance.

Matt Osborne:

Thanks, Mark. And good morning to those of you in the room and those of you listening in. I'll now walk you through our 2025 financial results, highlighting the main drivers of volume, revenue, profit, net debt, and cash flow. I'll also touch upon the outlook for 2026 before handing back to Mark. As we saw in the first half of the year, our full year performance was underpinned by continued resilience within our core meat and fresh prepared food businesses, which now account for around 90% of our revenue. This is a testament to the strength of our core business model and the expertise and commitment of our teams. As we've previously highlighted, our seafood, vegetarian, and vegan businesses are facing challenges and our strategic review, which Mark will introduce shortly, seeks to address them. Before then though, let's take a closer look at the numbers.

First, the headlines. Volumes from our continuing operations, so excluding Fairfax Meadow, which we sold in September last year, were up 0.2% against a highly inflationary environment, which drove revenue up 11.9% on a constant currency basis. Constant currency operating profit fell by 4.4%, reflecting in particular the challenges in the UK seafood business, and I'll cover profit in a little more detail shortly. The resulting operating profit margin was 2.3% down from 2.6% last year. In line with the guidance we provided last November, profit before tax was £73.2 million down 2.8% and from continuing operations, so again, excluding Fairfax Meadow, profit before tax was £69 million down 1%. Adjusted earnings per share of 56p was 7.4% lower, reflecting a slightly higher tax rate of 30% due to the impact of truing up some historic tax allowances. Our strong financial position and confidence in the medium-term outlook means we are maintaining our commitments to a progressive dividend policy.

With the final dividend flat, the full-year dividend per share is up 1.4% to 35 pence.

Net debt improved slightly year-on-year with significant cash inflows in the second half from divestment proceeds and a partial unwind of working capital. This was despite the planned increase in growth capital with 2025 being the main year of spend on our Canada project. Moving to revenue. With volumes of mixed broadly stable, an 11.9% increase in constant currency revenue was almost entirely down to increases in raw material input costs. On mix, we continued to see a shift in the UK, in particular with lower cost products forming a higher proportion of our overall volume. However, multi-buy and promotional activity were a positive for us in Australia. The relative strength of Sterling versus the Australian dollar remained a headwind, albeit partially mitigated by strengthening of the Euro in the year. Now moving to show volume and revenue by region.

I've shown a version of this chart before, but I've split out our seafood, vegetarian, and vegan businesses to demonstrate the performance of our core meat businesses. These numbers also exclude Fairfax Meadow. In the UK and Ireland, core meat volumes remained resilient and were only down slightly despite significant inflation in beef of more than 30%. The impact of this inflation can be seen in revenue increases of 23.5%. European volumes were stable overall, including double digit growth in fresh prepared foods in Central Europe and the benefit of new customer volumes in Denmark. Revenue growth was less material than in the UK, reflecting a more diversified mix of meat products. And APAC again delivered volume growth despite the reemergence of raw material inflation. Seafood, vegetarian, and vegan volumes were down 2.6% with price inflation weighing heavily on whitefish volumes in the UK. Foppen volumes were relatively stable as we continued to meet customer demand despite the regulatory restrictions on our facility in Greece and Dalco volumes were up, albeit from a low base.

Revenue was down by more than volume despite the whitefish inflation, with market salmon prices 17% lower in 2025 than in 2024, reducing Foppen and revenues. Moving now to profit.

Operating profit from our core meat and fresh prepared food businesses was slightly up year on year with the volume growth in APAC being the main driver, given the cents per kilo fee structure there. Seafood, vegetarian, and vegan operating profit was materially down, however, with sea chill moving into a loss making position, reflecting the pressure that lower volumes puts on gross profit. Foppen's underlying profit was stable, albeit there were material non-underlying costs that I'll cover shortly. We delivered an improved result at Dalco, although the business remains lost making. Central costs were lower, as were interest costs reflecting lower market rates. Before the negative impact of FX due to the weaker Australian dollar in particular, group PBT on a constant currency basis was down 2.8%. After excluding the contribution from Fairfax Meadow, which we sold in September, it was down 1%.

Non-underlying and exceptional items excluded from the underlying results represent a net profit of £29.3 million in the period. Albeit, there were a number of moving parts. The biggest cost related to Foppen. We incurred cash costs totalling £9.2 million relating to the relocation of production from Greece to the Netherlands to ensure continuity of supply to our customers in the US, while also using air rather than sea freight to ensure an appropriate level of inventory. We expect regulatory restrictions to be in place for at least the first half of 2026 and expect some further Foppen related exceptional costs this year. In addition, we wrote off inventory that could not be delivered to the US or resold elsewhere, resulting in an £18.4 million charge. We incurred reorganisation and restructuring costs of £9.6 million compared to 4.2 million in 2024, and this reflects the ramp up of our transformation activity and group reorganisation in order to support long-term efficiency and growth.

We expect these costs to continue in the range £5 - 10 million a year over the next few years, and this spend will help underpin our medium-term growth objectives and we'll provide some more detail on our transformation programme in the strategic update section shortly. Last, but certainly not least, we recognise profits on disposal of £66.5 million relating to the sales of Fairfax Meadow and Foods Connected. Both of these transactions are steps towards simplifying our portfolio, whilst also realising significant value for the group. Now moving to net debt and cashflow.

Net bank debt improves slightly in the year despite a free cash outflow. This includes the impact of material cash inflows from the disposal of Fairfax Meadow and Foods Connected as we realise value through portfolio simplification. Exceptional cash flows relating to Foppen and wider group transformation and restructuring totaled £18.9 million, and we returned £31.5 billion to shareholders in 2025, consistent with our progressive dividend policy. Net bank debt of 126.7 million results in net debt to EBITDA of 0.9 times, remaining at very comfortable levels. And in February of this year, we successfully refinanced our bank facility, which now provides an increased £450 million of revolving credit facilities for at least the next five years, providing flexibility to deliver future growth opportunities. In addition, these bank facilities are enhanced by the ongoing benefits of our lease and customer supply chain financing, with margins typically 0.5 to 1.5 percentage points lower than our bank facility.

Let me touch on our free cash outflow. The group remains intrinsically cash generative and retains a strong balance sheet. This strength provides flexibility to allocate capital to benefit the group over the longer term. In 2025, this included the investment in inventory to ensure we'd be able to deliver excellent service levels to our customers during peak trading periods in the second half of 2025 and into 2026. It is important we continue with disciplined investment in our existing facilities, ensuring they run efficiently and continue to support growth. Core net capital expenditure of £46.5 million was lower than last year and included spend on capacity increases at Hilton Foods Ireland. It also included further investment in Sweden, where we've installed frozen burger production lines, a new category in our partnership with ICA.

2025 was also the main year of investment in our expansion into Canada. We've now spent £55 million in total on the project with the remaining project cost being incurred in 2026. The project remains on track for full launch in 2027. Before I hand back to Mark, let me cover the outlook. We've traded in line with our expectations in the year to date and continue to expect 2026 adjusted PBT in the range £60 - 65 million, unchanged from the time of our trading update in January. As we said at the time, the expected reduction in profit is predominantly due to continuing challenges in Seachill, Foppen, and Dalco. Our core meat business continues to prove resilient and volumes over the first part of this year were solid. However, given the economic backdrop, it is right we remain cautious on the impacts there may be on meat demand due to inflation.

We are also mindful of any potential direct or indirect impacts of the current situation in the Middle East. We would expect net debt to increase in 2026. Core CapEx will be £50 - 55 million within our expected range. However, total CapEx will remain elevated as we complete our project in Canada and expect to commence spend on our planned capacity expansion in Poland. Both of these projects will create value for shareholders and are expected to contribute to earnings in 2027. One of the reasons we remain positive about the medium term and long-term outlook for the group. I'll be back later to summarise our refreshed capital allocation framework and medium-term financial targets, but for now, let me hand back to Mark.

Mark Allen OBE:

Thanks, Matt. Mel, Samy, Matt and I will now take you through a summary of our strategy. This is based on the review we've recently completed. We aim to be the international red meat partner of choice. Aligned with that, in certain appropriate geographies, we have a developing fresh prepared food business that we'll invest in where the returns are attractive. What gives us confidence in this ambition is the structural strength of our core meat businesses. We operate longstanding partnerships with leading retailers. We benefit from high barriers to entry in our markets. We have a proven operating model that is delivered consistently over time. However, this strategy is not only about defending what we already have. We also see significant further growth potential, which we will unlock through a combination of portfolio optimization, targeted investment, and evolution of our operating model. Simply put, this is a strategy that builds from a position of strength and our core capabilities.

Importantly, we will be very deliberate about where we invest to drive future growth and attractive returns.

Before we provide a bit more detail on our growth potential, let me put it in context against our recent track record. As you can see from the chart on the left, operating profit from the group's core activities, excluding Fairfax Meadow, Seachill, Foppen, and Dalco has grown by 4% on average since 2022. This demonstrates the strength and stability of our core meat and fresh prepared food operations. On the right, you'll see the building blocks that underpin future growth. The expected reduction in profit in 2026 compared to 2025 is largely down to the challenges faced by Seachill, Foppen, and Dalco. We expect profit from our existing core business to be relatively stable and remain so moving forwards. This will be supplemented from 2027 by our projects in Saudi Arabia and Canada. We expect to realise the full benefits from these in 2029. We also expect to deliver growth from our focus on our fresh prepared food product offering and multi-customer models in certain markets.

We'll provide some colour on this shortly. All this results in mid-single digit average operating profit growth per year, with potential for adding additional growth beyond from value adding investments.

Here are the three levers that will drive this growth over the medium term. The first is maximising the core. Here, our focus is on reinforcing our leadership and

retail meat by maintaining the structural advantages we built over many years. At the same time, we're driving continuous efficiency improvements to maintain margin resilience. This ensures that the core business continues to generate stable and predictable cash flows. The second lever is enhancing the mix. We are actively increasing our exposure to higher margin segments where we have an opportunity to win. This is particularly the case in value added meat and fresh prepared foods. These categories offer faster growth and attractive returns. They allow us to better serve evolving customer and consumer needs. Mel will talk about expansion plans in our Poland business shortly. The third lever is geographic expansion. We will continue to replicate our partnership model in underpenetrated and high growth markets.

We will work alongside anchor retail partners to leverage our expertise and scale. Taken together, these three levers create a balanced growth profile. They support stable cash flows, high margins, and faster overall growth, while reducing our reliance on volume alone. While the framework itself is simple, the value creation potential from executing it well is significant.

A key part of enhancing our mix is optimising our portfolio, particularly in seafood and meat alternatives, where performance has been volatile and unsatisfactory. These businesses have limited synergy with our core meat capabilities. We are taking a very focused and disciplined approach and will limit future investment across the three businesses, Seachill in the UK, Foppen and Dalco. Across these businesses, the overarching objective for the group is consistent to reduce earnings volatility, improve returns, and create greater flexibility and optionality for future value realisation. In Seachill, our priorities are operational recovery, cost reduction, and product focus. This should allow us to rebuild margins. In Foppen, we're operating an increasingly consolidating smoked salmon market. Our focus here is on driving volume through best in class quality, customer service, competitive pricing, and continued innovation. We will also address the challenges that are continuing into 2026 we'll resume sea freight shipments to the US and are actively rebuilding the stock pipeline.

We continue to engage with US regulators to lift the restrictions on our Greek facility. Encouragingly, underlying retailer demand remains strong. In Dalco, the priorities are to improve operational performance and win new business. We're aiming to put the business in a stronger position operationally and financially, giving us greater flexibility in how we create value from it. I will now hand over to Mel. Who will then hand over to Samy to help bring our growth strategy to life with specific examples from our east and west regions.

Melanie Chambers: Thank you, Mark. And good morning, everyone. Having recently stepped into the role of chief operating officer for the East, I'm extremely excited about the opportunities that lie ahead in my region and refresh group strategy. More broadly, I bring with me more than 25 years experience from across the food industry with a strong focus on operating globally. When I joined Hilton Foods in 2022 as the CEO for the APAC region, I spent considerable time strengthening the customer relationship, building deeper alignment, and developing a regional

leadership team for future success. As we move on to competitive positioning, there are three key areas of focus that'll underpin how we maximise our core meat capabilities. First is manufacturing excellence. We are driving continuous efficiency and improvements across all our operations, and this is supported by a clear automation roadmap. At the same time, we are maintaining a very disciplined approach to cost control, particularly within central functions, and this ensures that we avoid any unnecessary or duplicated overhead.

Second, innovation and category leadership. We continue to enhance our capabilities and value added products, working with our partners to develop new target product ranges that align closely with consumer demand. We are also expanding into adjacent categories such as slow cook products, where we see attractive growth opportunities. And third is our security of supply. We will continue to develop our global red meat sourcing centre of excellence, which allows us to leverage our scale more effectively, while also using our local sourcing capabilities to ensure resilience and availability in each of our markets. Together, these initiatives will ensure that we improve our competitive advantage, continue to support our retail partners effectively, and position the core business for sustained market outperformance.

This slide now provides a clear example of our strategy to enhance our mix through our planned investment in Poland. We see a compelling opportunity in fresh prepared foods in Central Europe, driven by strong underlying demand and forecast market growth of around 8% per year. At the same time, our retail partners are increasingly looking for value added solution, which plays directly to our strengths. Our planned investment of up to £30 million over 2026 and 27 will expand capacity, increase automation, and enhance our processing capabilities. Importantly, this will allow us to differentiate our offering through improved shelf life and product innovation. And from a financial perspective, this is a highly attractive investment. It is expected to generate returns well above our cost of capital, with return on capital employed above 20% over the life of the project. It will also be accreted to the group's margin mix.

And this is a good example of how we can deploy capital in a disciplined way to drive both growth and returns while strengthening our competitive position. I'll now hand over to Samy.

Samy Zekhout:

Thanks, Mel. After 30 years at Procter & Gamble, my most recent role was as CFO and deputy CEO for six years at Nomad Foods. I'm really pleased to have the opportunity to step into this role from my non-executive position. After having been exposed to Hilton Foods products, facilities and people over the past several months as a board member, I felt that there was a huge opportunity to contribute if we got the strategy right and properly executed to reignite value growth for the years to come. Our investment in Canada comes under my remit and represent a step change growth opportunity for the group. As you probably know, we are developing a new facility to support a long-term 10-year partnership with Walmart with the site scheduled to launch fully in early 2027. Progress on the project remains on schedule. Product development

has been completed and tailored to customer requirements, and we will begin production testing of equipment and systems in the second half of the year.

From a financial standpoint, this is an attractive opportunity. We expect return above our cost of capital with return on capital employed over the life of the contract consistent with our refresh capital allocation framework. The project will begin contributing to profit from 2027 with a full contribution from 2029 and beyond. Importantly, this is not just about the initial contract, we also see further opportunities in adjacent value added categories within Canada. More broadly, we see broader potential through all our retail partners' international footprints. So Canada is both a significant standalone investment and is a good example of international expansion.

To support the delivery of our strategy, the newly appointed executive team is behind our plans to evolve our operating model through what we call One Hilton. This is about embedding a consistent value creation mindset across the organisation, ensuring that all parts of the business are aligned around delivering returns. It also involves building a more integrated and scalable global platform, allowing us to leverage our international scale more effectively while continuing to execute strongly at a local level. At the same time, we are preserving and strengthening what differentiates us, particularly our deep partnership with leading retailer and our unique collaborative business model. Overall, this transformation ensures that we can scale efficiently as we grow without losing the strengths that underpin our success. Let me now hand over to Matt.

Matt Osborne:

Thanks, Samy. Now, let me spend a few minutes taking you through our refreshed capital allocation framework and medium-term targets. Everything is underpinned by our desire to maintain a strong balance sheet, ensuring we have appropriate headroom to withstand any market shocks and provide flexibility for future investment. I'm comfortable with net bank debt, excluding leases in the range one to two times EBITDA through the cycle. This is significantly below our bank facilities financial covenant of three times. We will continue to invest in our facilities to maintain and enhance our operations, underpinning core organic growth through improved automation and productivity, and the development of new product categories. This investment will be in the region of £45 - 55 million per annum and will fluctuate depending on when and where investment makes economic sense. Our strong balance sheet and cash generative model then provides flexibility for further incremental value adding and strategically aligned investment.

This could be in material new capacity expansion, such as the project we're planning in Poland or in geographical expansion, similar to our entry into Canada and Australia and New Zealand before that. Our benchmark for these investments is high. Returns need to be material ahead of WACC and any investment must support our group ROCE target of greater than 20%. At the same time, we also recognise the importance of cash returns to shareholders. We are maintaining our progressive dividend policy with the intention to move

back to around two times earnings cover over time for adjusted earnings growth that our strategy is expected to deliver. Our dividend policy means we retain flexibility to seek further value adding investment opportunities in line with our strategy. However, in the future, should no attractive opportunities exist, we would consider returning any surplus cash to our shareholders. In addition, we would continue with our progressive dividend policy.

Let me now cover what the strategy means in terms of medium term targets.

First, as Mark has already said, we are targeting mid-single digit operating profit growth on average each year. Recognising though that the nature of our investment means it won't be a linear progression. This growth will be underpinned by our ongoing investment to improve and automate our facilities and the contribution we expect from the new facilities in Saudi Arabia and Canada from 2027. It excludes any benefit from material incremental investment in new geographies or in large scale capacity expansion. It also excludes any contribution from the improvement plans we have in place at Seachill, Foppen, and Dalco. We expect these businesses, which we anticipate to be marginally loss making as a whole in 2026, not to become a sustained drag on earnings. Second, through continued good working capital management and a focus on cashflow, we expect cashflow conversion, so free cashflow as a proportion of net income to be around 100% on average over the years.

Third, we continue to target a group ROCE of at least 20%. This figure was 20.1% in 2025, and we expect it to drop below 20% in 2026, given the level of pre-productive capital related to the Canada project. Any further material incremental projects may also have a shorter term impact on reported returns, but over the medium term, we believe this is an appropriate target to benchmark the group against. Let me now hand back to Mark.

Mark Allen OBE:

Thanks, Matt. To summarise, we believe we are well positioned for the future. We have a resilient and cash generative core business. This is supported by structural advantages and a strong track record of execution. We have a clear strategy to drive growth. This is built around maximising the core, enhancing the mix, and expanding geographically. We'll apply a disciplined approach to capital allocation, ensuring that we invest only in opportunities that generate attractive returns. Aligned to this, we have a highly engaged, skilled, and talented workforce. Taken together, this positions us to deliver sustainable profit growth, strong cash generation, and reduced volatility. We believe this will deliver compelling value for shareholders over the long term as we focus on being the international red meat partner of choice. That concludes the presentation. Thank you all for listening. I'll now chair the Q&A. Can you please ask questions via me and I'll allocate to the appropriate person?

Can I also ask that when you ask a question, you introduce yourself and give us the institution that you work for. Thanks very much.

Matthew Abraham: Hi there. I'm Matthew Abraham from Berenberg. First question just in reference to the FY26 guidance. Just wondering if you can outline what your expectations are for that raw material price inflation that's crept up in the second half of the year, please.

Mark Allen OBE: Matt, do you want to answer that?

Matt Osborne: Yeah, look, I think we recognise that there are inflationary pressures, but the basis for the guidance we issued in January hasn't really changed and we're confident in that 60 to 65 million PBT guidance.

Matthew Abraham: Okay. So does that then infer that there's the expectation for a deterioration in elasticity as there has been from the first half of the year to the second half of the year because there will be that sustained high price backdrop? Is that the expectation given that this inflation backdrop is likely to persist?

Matt Osborne: So we recognise the resilience of the core product we produce. We recognise that there could well be some inflationary pressures, but I'll come back to the guidance we issued in January, took into account our views on inflation.

Mark Allen OBE: If you go back to the presentation, I think in one of my sections I talk about, we're mindful of the ongoing position on red meat as an example. That mindfulness is built into our numbers and forecasts that we've put into the market for this year. So we feel comfortable where the guidance is and we feel comfortable that we've taken into account where we think the inflationary nature of our products are going to go and the impact on consumers purchasing habits.

Matthew Abraham: Okay, that's helpful. And it was obviously impossible to account for it in January, but one thing that's obviously changed is the freight dynamic. Can you just talk about your exposure there and what you're doing to mitigate those pressures given that that's a new factor post January?

Mark Allen OBE: I think that's a really difficult question to answer. And if I went around the room and asked everybody to answer that question, I think we probably get a lot of different answers. Suffice to say that in our business, we're in the very lucky place that a lot of our contracts are cost plus, so they go automatically to our customers. And when necessary, we are looking at holding the mirror up to ourselves, looking at our internal costs and taking costs out where we can. I don't think anybody can predict what's going to happen as a result of the Middle East. As we said in the presentation, we're very mindful of the situation and we will react accordingly. I think the most important thing is outside of that, we are very comfortable with where our numbers are for this year.

Matthew Abraham: Okay, that's helpful. I'll pass it on.

Charles Hall: Morning. Charles Hall from Peel Hunt. Couple of questions, if I may. Firstly, can you just talk a little bit about the red meat market, what your customers are doing to respond to the higher price points and what you're doing in terms of product positioning?

Mark Allen OBE: Okay. I think that depends on geography. And maybe in a second, I'll ask Mel to talk a little bit about what's happening in Australasia. I think that's important. In the UK, which is a fairly substantial part of our business, actually no different than Australia, but what's typically happening is people are trading down and Matt talked about that. I think one of the benefits that we have, we're probably the lowest cost producer of the product in the UK that supports our customer's ability to be consumer aware. And if you look at the shelves in Tesco, they're doing a range of things to give real value to consumers. So what we're typically seeing is people trading down, moving down the portfolio towards mince, et cetera. But there's still a top tier purchasing habit that people are buying into premium cuts, maybe eating out less than they were and consuming it at home.

We see that trend continuing. We saw evidence of it last year. We expect it to continue for this year.

Melanie Chambers: Yeah, absolutely. I think you nailed it overall, but I mean, we've seen 3% growth in Australia. We haven't seen it slowing down, but they are definitely changing the mix. So lots of three for \$25, three for \$20 offerings, promotions in store. And we're working strongly with the customer on co-creations of that middle tier and how do we build the value in that middle tier.

Charles Hall: Great. And Matt, last year, the inventory increased fairly significantly building up ahead of Christmas and Easter, I think. And partly obviously that's pricing, but also availability. How do you see that panning out this year?

Matt Osborne: Yeah. So as we would've talked about before, we built inventory to ensure we had sufficient available to us to hit both Christmas and now Easter peak. So that's largely unwound. We'll have seen, as you rightly say, an increase in the stock value just because of inflation as well. So comfortable where that sits. And so see that unwind now. Now clearly we will work with our customers to ensure that we can meet their demand and meet peak trading periods and how that looks. Really depends on availability in the market and some of the challenges we may face into, but comfortable with where we sit, comfortable with us delivering for our customers and the service flows.

Mark Allen OBE: Let me come in just to add something to that. There was a lot of noise around that, those purchases last year because they were surprised. And one or two people, since I've been involved has said, could that happen again? What is absolutely clear is if, particularly in the environment that we touched on at the moment where there's lots of uncertainty, if opportunities arise for us to buy meat ahead of any inflationary pressures, that's exactly what we'll do. We'll explain it to you guys, we'll explain it to shareholders, but if it's the right thing for the business, that's exactly what we'll do.

Charles Hall: And lastly, Mark, the SVV, as I think we'll now call it, is how much do you think you can improve the profits and how long will it take to get change in those segments?

Mark Allen OBE: So didn't really discuss it in the presentation, but I've got a dedicated team working in that area. It's got its own, effectively its leader. We're already seeing evidence of improving trends in those businesses. We've won new business in Dalco in recent days as an example. We've got a cost out programme in the Seachill that's starting to pay dividends. Foppen is actually a different set of problems, but as you heard in Matt's presentation, we're already using sea freight as opposed to air freight that starts to normalise it. We are working very hard with the US FDA to get our protocols reassessed. That's happening. We put it in two weeks ago. We're waiting for the results, but we're also challenging some of the things that are perfectly acceptable in the US. For example, dipping fish in salt water that on the face of it are not acceptable in Europe and the UK, but we think we've found an opportunity to make them acceptable in the UK and we're going to be working on that.

So we've got a range of activities in each of the businesses that we're already on with that will start to deliver improvements now. Will they get to the stage where at the end of the year, I think in Matt's presentation, he said that they will be collectively loss making still by the end of the year. Will we get to the stage where they're profitable by the end of the year? Question mark, but we're working very hard to make sure that that's where we get to.

We want to give ourselves choices in these businesses, and that's what all the work we're doing, it's about giving ourselves choices.

Darren Shirley: Yeah. Sorry, Darren Shirley from Shore Capital. Just a question on one of the areas where you talk about enhancing the mix within the business. You talk about scaling value added meat. Can you just outline exactly what that means? Is that an opportunity you haven't been taken advantage of previously or is that a new opportunity?

Mark Allen OBE: I guess a bit of both, Darren, to be fair. Just as an example, we'd use Souvied in that area where we've been very successful with it, but there is greater opportunity to do it in more places around the world. Some of the work that we're doing in Poland will enhance our capability to deliver against that as a product line. There's opportunities, further opportunities in the UK. And the interesting thing is you don't have to manufacture it everywhere. You can manufacture it in one place and export it to the neighbouring countries. So as an example, and Mel can probably give you more detail than me on this, we will upgrade our facilities in Poland, but that gives us an opportunity to sell into neighbouring countries from the Poland facility, which is a low cost will be automated solution.

Darren Shirley: Okay, thank you. And then Poland, 30 million, what exactly are you expanding there? Is it the meat side? Is it just the fresh prepared side? Is it new capabilities? Just a bit of colour what you're getting for 30?

Mark Allen OBE: Feel a bit sorry for Samy because I'm passing all these questions to Mel, but I promise I'll give one to you in a second, Samy. Mel, do you want to just talk about what we're doing in Poland?

Melanie Chambers: Absolutely. So it is an expansion of our fresh prepared foods business that we currently have there, which is next to the fresh meat factory. So it's expanding the footprint of that, which allows us to be able to have more capacity so that we can keep up with the customer demand. And as Mark touched on, it can act as a hub that can then serve other markets from there. And so what we're looking at doing is advancing the technology within that facility and also the automation at either end.

Darren Shirley: In terms of the products,

Mark Allen OBE: Mel?

Melanie Chambers: Yeah. So the products, we're looking at Souvied, we're looking at the ready meals. We do sandwiches, pizzas currently through there, so a lot of the fresh prepared foods.

Darren Shirley: Thank you. And then just one last one, if you don't mind, is you talked about there being additional exceptional costs associated with Foppen this year. Could you give us a sort of a ballpark number in terms of what we're thinking?

Matt Osborne: Yeah. So current run rate is around €800,000 - 1 million a period. Now that will have included air freight costs as opposed to sea freight costs. And as Mark touched on, we're moving away from air freight at the moment. So we've seen that reducing over time. As you know, we're operating out of the facility in the Netherlands, which has increased operating costs as well. And so that's where we see it.

Clive Black: Clive Black also from Shore Capital, Darren's younger brother. A few, if I may. Firstly, to follow on from Charles' question about working capital, are you looking at a similar positive outflow this year or is it an improvement year on year? Maybe start with that, go one by one.

Mark Allen OBE: Do you want to answer that one?

Matt Osborne: Yeah. So based on where we sit today, we'd expect there to be a modest improvement over the year. Now, as Mark said, though, we will reserve the right to make purchasing decisions if we see it's the right thing to do to ensure we're avoiding inflation or ensuring supply for our customers.

Clive Black: And then not to keep Samy out of it. I think you talked about long-term opportunities from international retailers. Just flesh that out, what that actually means for investors.

Samy Zekhout: Yeah, sure. Absolutely. I think we declared in our third pillar that there was effectively an opportunity to expand geographically. And I think you've seen that in the move that we are making now today in Saudi and Canada. And the idea there is to leverage what we are doing that as a benchmark if you want for future opportunities either to excel into new geography or expanding effectively into new category within those geographies as well.

Clive Black: Okay. So that could mean for the product categories and for the plants in those markets. Is that what you're alluding to?

Samy Zekhout: I mean, all options are being considered and will be affecting investigating the opportunity on the basis of, say, the best opportunity from a value creation standpoint, absolutely.

Mark Allen OBE: Just to be clear, that those opportunities will be in fresh meat, our core capabilities, or fresh prepared foods, the list that Mel articulated, we're not going to go into sort of wide categories. We'll focus on the things that we know and understand, and that's where we'll invest. Just to maybe put a bit more flesh on that, one or two people have asked in recent times, will we spend more in Canada? The answer to that question is we might. And the reason we might is because we might win incremental business there. So it's not a definite, but there is a chance that we win incremental business there that business. So if the capital costs go up, they're going up because they'll deliver improved returns.

Clive Black: But the probability will be with existing customers rather than new customers.

Mark Allen OBE: I think in the main with existing customers, but I think it's fair to say that we've got a team with suitcases travelling around looking for opportunities in appropriate geographies. These are long pipelines though. You don't have an idea today that gets delivered tomorrow. As you've heard in the case of Canada, that's probably been in the making for three years before we actually started the development. So we're working on long-term projects.

Clive Black: And again, in your presentation, you talked about a global red meat sourcing capability. What does that actually mean for shareholders?

Mark Allen OBE: So the one thing that shareholders should draw from that is we actually have a very well-run, efficient sourcing team based in Huntingdon that source red meat from South America, from Australasia, and around the world. I would say that we are at the top end of capabilities in that area. Look, the supply of meat declines in the West in particular, that I think will come more and more in returning. It gives our shareholders and us as a business a degree of comfort going forward.

Clive Black: Does that sourcing capability need to be replicated in fish?

Mark Allen OBE: I think. To a degree it is already there in fish. I think the fish challenges are much more here and now operational customer product so that we're looking at the business on a relatively short term basis to solve some of the challenges that we have. Ongoing sourcing capabilities are a thing that we'll look at, but they're not in the immediate to do list.

Clive Black: Okay. And then just a last one. Again, you talk about your production platform around the world. How consistent is that to the extent, we've been to Huntington and lots of others have been to other plants around the world, but across the globe, how consistent is your production capability?

Mark Allen OBE: I think if you travelled around the factories, you'd see similarities in all the factories. One of the things that I think Samy talked about One Hilton. One of the things that we're addressing full on at the moment is our ability to make sure we're getting synergies from the skills we have in the various locations. You might argue Hilton hasn't historically done that. Each of the businesses has done their own good work, but it hasn't been translated across the group. We're already seeing benefits of getting it group-wide rather than business-wide. And I think we'll continue to do that. I think the fundamental factories, if you walk into our factories, you'll see similarities everywhere, and you'll see the same focus to efficiency, yield, giveaway, all the things you would expect to see in any factory. And the fact, the reality of it is if you take Walmart as an example, they didn't just sign a contract and say, "We'll go and work with Hilton." They went and visited lots of these facilities, saw it themselves, saw something that is different than what our competitors offer, and then sign on the bottom line.

So that isn't me saying it. That's a very big, highly competent retailer saying, "We want to put our eggs in the Hilton basket."

Matthew Webb: Matthew Webb from Investec. Can I ask about the, or any operational implications of the strategic review and the very clear distinction you've made between core and non-core? I mean, are these businesses already run very separately? If not, are they going to be separated out more clearly to give you that optionality of selling the non-core when profitability improves? And then related to that, I think you mentioned that the investment priority would now obviously be on the core side of the business. Clearly, when it comes to expansion, that's what we would expect. But if there was, say, a big automation project that would improve the profitability of the non-core side, would you go ahead with that or would you be wary of doing that if the ultimate plan is to sell? Thank you.

Mark Allen OBE: Well, I think the last point first, we haven't said that the plan is to sell. So let's be clear about that. What we have said is we need to work very hard on these three businesses to deliver optionality. They're all ready now. It was one of the first things I did when I put Mel and Samy into their roles, took out these three businesses and managed them separately. They have a management team

looking after them that are focused entirely on improving those businesses during this year. So if you wanted a view on the capital question, if the capital pays back in less than a year, then the chances are we'll probably say yes. If it's a long-term capital investment, then the chances are, unless we've done the short-term stuff, i.e. Got the businesses to a sustainable position, we're not going to be investing long-term capital in these businesses.

And I think the team would probably agree, I've been very clear with the team. We will invest, but sort the businesses out in the first place, and that's where we've got to get to. And I've said a few times, this is all about giving us optionality, improving the current situation through a range of measures, and then that gives us choices going forward. Choices to keep the business, but also to do other things as well. But be clear, there has been no decision to sell any of these businesses.

Matthew Webb: Understood. Thank you.

Matthew Abraham: Just follow up for me, if I may. So you mentioned the desire to improve the businesses and there's been improvement initiatives implemented in these businesses over a number of years. What's different in the approach that's being outlined today? Yeah, I guess that is the first follow-up

Mark Allen OBE: In some respects, I'm probably the wrong person to ask that. They're not here, but if you ask the team, I am sure they would say there's a very different approach in the rigour and challenge that goes on in their businesses to that that has been historically done. So it's a rigour, it's a focus, it's a accountability, it's an empowerment that maybe didn't exist before as we loop to improve them. Now, as I've said already, there's a range of things that we're working on from cost out at one end to volume in at the other, and they're all different depending on the business that we're talking about.

Matthew Abraham: Okay. And then maybe just one more follow up if I may. So there's a greater concentration of investment going into what appears to be a high returning business in the core, but the ROCE targets unchanged. Why would there not be a better ROCE profile if more investments going into a better returning component of the business?

Mark Allen OBE: Maybe I should pass that to Matt, but I'm not going to. I'm going to answer it because we believe that that level is a satisfactory, acceptable return for us that work in the business and for shareholders as well.

Matthew Abraham: Okay. Thank you.

Darren Shirley: Thanks. It's Darren Shirley again. Two areas of the business, which haven't been mentioned, obviously you crystallise value with Foods Connected earlier this year, but within that sort of bucket of other investments, you've got Agito in there and CellAg. I mean, where do they sit in the new Hilton?

Mark Allen OBE: Well, I think it's very clear from what we've said that they're not core in terms of investment. They are important though, because not necessarily as a shareholding point of view, they're important to the running of the business. Agita is intrinsically linked to our developments around the world, and it forms a big part of what we're doing in Australia. CellAg is a startup, and it's a business that's very interesting from a personal point of view, but it's not necessarily that interesting for the view of a public company. And what, being absolutely blunt, we would like other partners to join us in the CellAg investment.

Darren Shirley: Cheers. And then just a point of clarification, because you mentioned coal red meat on a number of occasions. In APAC and in Canada, fish, am I right in thinking seafood will continue to be part of the broader offering you're bringing to Woolworths and Canada?

Mark Allen OBE: Seafood is going to be a continuing part of the offering in Australia, may not be in Canada.

Darren Shirley: Does that represent sort of a downsizing of the thinking in Canada?

Mark Allen OBE: No. At this stage, I'm not going to say any more than that. You shouldn't worry about what I've just said from Canada. It is integral to the offering that we have in Australia. And in Australia, it works really, really well. I think the difference between Australia, it is a very simple, straightforward cost plus model. What we operate in the UK is different to that.

Darren Shirley: Because there were ambitions to expand the seafood offered APAC, would those ambitions still be there?

Mark Allen OBE: Do you want to talk about that, Mel?

Melanie Chambers: Yeah. So the seafood works well in New Zealand as a food park. So we have the red meat, the poultry, and the seafood. And due to it being a smaller location, less stores, it serves being able to serve the whole country out of that one facility. In Australia, due to the diversity of travel time and transit time, the seafood model wouldn't work long-term because it's fresh. It's not frozen. So when you're looking at trucking for 12 hours from there to there, your shelf life is obviously shrinking. So it works well in New Zealand, but it's not something that we're progressing currently in Australia.

Darren Shirley: Helpful. Thank you.

Mark Allen OBE: Any more questions? We're going to be around for a little while if there's any individual questions you want to ask. I'm conscious one or two of you have got to get off to another presentation. Good business that is as well, by the way. Thank you for your time. Thank you for your questions and feel free to come back to us on any points over the next few days. Thank you.