



Feeding the
FUTURE

FACTSHEET



Dairy Crest Group plc
2017/18

AT A GLANCE

Business model

Dairy Crest is a leading British dairy company. We aim to generate growth through building strong positions in branded and added-value markets while maintaining a commitment to progressively growing the dividend.

Experienced management team focussed on executing a clear and consistent strategy



World class, well invested supply chain enables us to provide unrivalled quality and consistency across the product portfolio



Culture of corporate responsibility which runs throughout the organisation



High quality portfolio of market-leading food brands and ingredients generating growth and increasing market share



Constantly striving to innovate, bringing new products to market and introducing new ways of working across the business



Financially strong business with stable margins and progressive dividend policy



Supply chain

500 million litres of milk from **330** farmers



Vision

Our success has been built on our links to the countryside, our dairy heritage and the people in our business. From this, we will grow through a shared passion to create exceptional food, loved by every generation.

Strategy

1 To generate growth by building strong positions in branded and added-value markets

2 To simplify, make more resilient and reduce costs

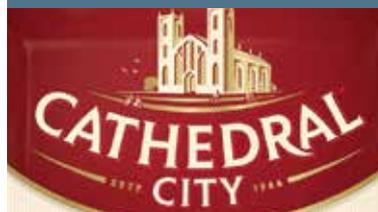
3 To generate cash and reduce risk

4 To make acquisitions where they will generate value

UK's No1 dairy spread



UK's No1 cheese brand



UK's No1 oil brand



UK's No3 butter brand



UK's No1 dairy-free spread



Corporate responsibility

Our culture of corporate responsibility defines the organisation. We focus our efforts on four key areas:

Climate

To reduce the impacts of our supply chain on the environment

Colleagues

To provide a safe, diverse and inclusive workplace that offers employees the opportunity to grow

Consumers

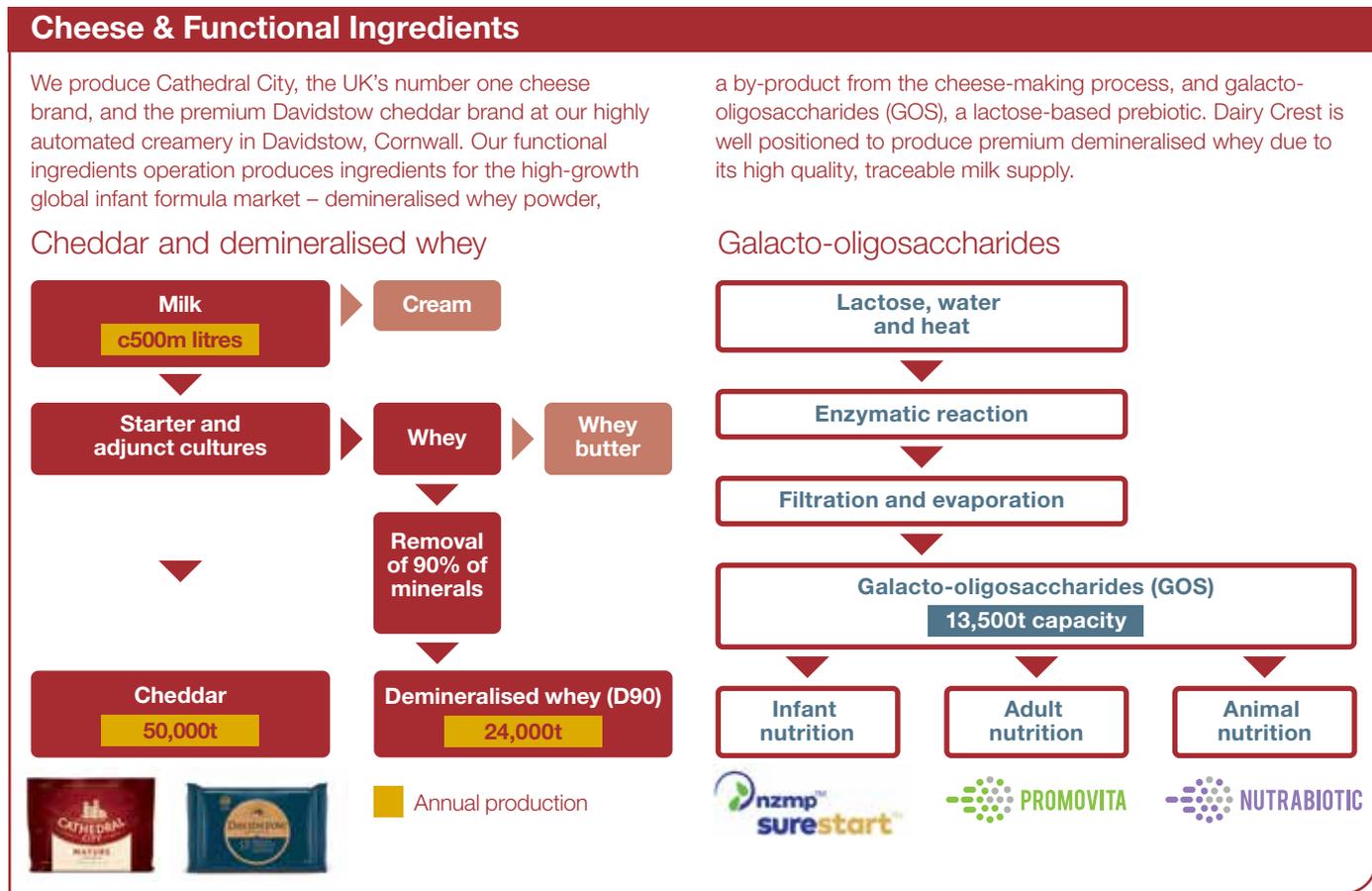
To create healthy, tasty and sustainable foods

Community

To support and enhance the communities in which we work and live

OUR BUSINESS

Dairy Crest manufactures and markets branded food products and value-added ingredients. We have two product groups – Cheese & Functional Ingredients and Butters, Spreads & Oils.

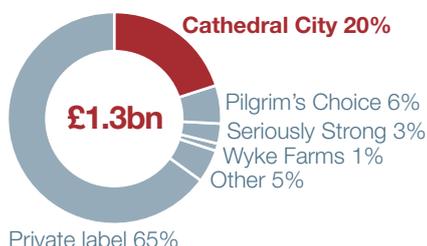


Our retail markets



The UK cheese market generates £2.7 billion of sales each year, approximately half of which are cheddar. Cheddar volumes grew by 2% last year. Cathedral City is the largest cheddar brand, accounting for 20% of total cheddar sales but 55% of the branded market. With retail sales of approximately £280 million, Cathedral City sells more than all of the other cheddar brands combined, and is three times larger than the number two brand. Private label still dominates, however, which presents us with further opportunities to expand both in the UK and abroad.

UK cheddar market*



Dairy Crest has made a significant investment at its Davidstow creamery to manufacture demineralised whey for use in infant formula products. This is a global market that is expected to grow at a compound annual rate of 9% from 2015 to 2020. The Asia Pacific region is the largest consumer of infant formula as population growth and urbanisation fuel demand. Consumers are willing to pay for safety and quality more than ever before.

Global infant formula market

\$47bn**

Dairy Crest also manufactures GOS, a prebiotic derived from the lactose in cow's milk, which is used in infant formula. We are exploring additional uses for GOS as an ingredient in the adult food market and in animal feed.

Revenue



Profit



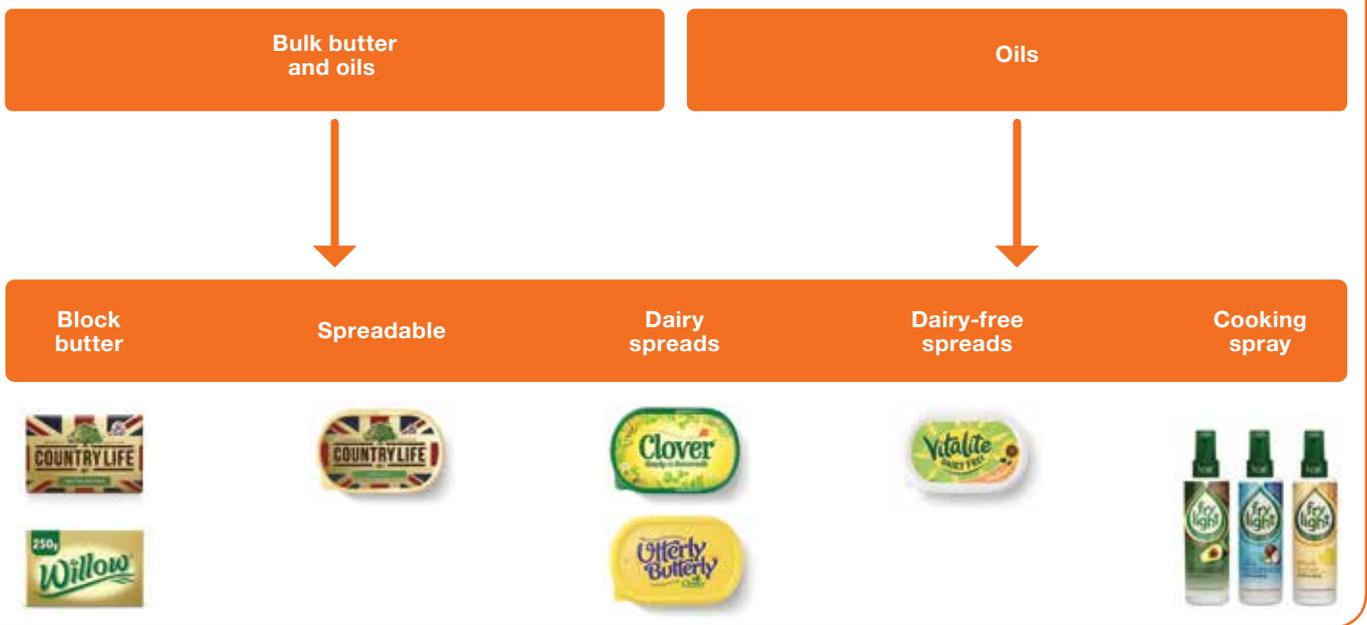
Contribution to Group (% of total Group):

Revenue excludes other revenue.
Profit is product group profit.
This information is presented in Note 1 to the Accounts.

Butters, Spreads & Oils

We manufacture a number of leading butter and spreads brands at our facility in Kirkby, Merseyside. Key brands include Country Life butter, Clover dairy spread and Vitalite dairy-free spread. We also produce Frylight, the one calorie cooking spray, in Erith, Kent.

Diverse range of butters, spreads and oils



Butters & Spreads

The UK butters and spreads market totals £1.3 billion of retail sales. Dairy Crest's five brands make up 17% of that market by volume. Our four spreads brands represent 30% of the standalone spreads market.

Over the past decade butter has profited from the growing consumer trend to eat more natural products. Over the past two years, however, this has increased global demand for dairy fats which, coupled with a reduced milk supply, has led to butter prices rising by more than 20% on shelf. This has helped to slow the decline of the spreads market which has been contracting in recent years.

Clover is the No1 dairy spread with market share of

20% ***



Oils

Spray oils represent around 13% of total cooking oil retail volumes in the UK and grew by 8% over the past 12 months. Frylight, with its one calorie spray, is the number one oil brand across the total category (including pouring oils), and makes up 88% of spray oil sales, making it the stand out market leader.

Over the past two years, spray oils have doubled their presence on supermarket shelves, driven predominantly by the increased breadth of Frylight's product range. With a household penetration rate of 25% there is still considerable potential for Frylight to grow.

Frylight household penetration ****



* IRI Kantar 52 weeks ended 24 March 2018

** Euromonitor estimate 2017

*** IRI Kantar 52 weeks ended 24 March 2018, spreads market

**** Kantar Worldpanel 52 weeks ended 25 February 2018

CLEAR AND CONSISTENT STRATEGY

Dairy Crest has a clear and consistent strategy against which we continue to make progress.

1 To generate growth by building strong positions in branded and added-value markets

Progress 2017/18

- Combined revenues of our four key brands grew by 6%. Total revenue up by 10%
- Cathedral City increased revenues by 6% and currently represents 55% of all branded cheddar sales in the UK
- Spreads portfolio delivered a combined 10% uplift in revenue versus a spreads market which was flat
- Frylight continued its double digit volume and revenue growth for the sixth consecutive year since it was acquired in 2011
- Customer base of infant formula manufacturers building for demineralised whey and GOS following further commissioning costs incurred in the period
- New sales channels developing for GOS in both adult and animal nutrition

Future priorities

- Focus will remain on growing market share of our key brands – Cathedral City, Clover, Country Life and Frylight
- Continued investment in advertising and promotion
- Further advance our strong pipeline of innovation
- Work with Fonterra, our sales partner, to accelerate returns from our demineralised whey and GOS products in the infant formula sector
- Continue marketing our GOS business to the adult and animal nutrition markets

2 To simplify, make more resilient and reduce costs

Progress 2017/18

- Following the Dairies sale the business is significantly less complex and more focussed, with c.1,100 colleagues employed across five key operating sites
- Introduced 24/7 working schedule and new site agreement in Kirkby to improve flexibility and efficiency. This is expected to result in annual cost savings of £2.5 million
- The project to replace and simplify core IT systems is well advanced and expected to complete in 2018. It will deliver further efficiencies as procedures and support structures are simplified and improved
- Key farming support services brought in-house to simplify and strengthen the relationship with our farmers

Future priorities

- To complete the programme to replace core IT systems to deliver a less costly and simpler IT infrastructure more appropriate for the business
- Roll out revised milk pricing schedule which will be simpler to manage and, over time, will reward farmers who supply milk of a composition most appropriate for the manufacture of cheese and demineralised whey
- Continue to seek cost reductions and drive operational efficiency improvements throughout the business

Key performance indicators and performance in the year ended 31 March 2018

- **Grow earnings before interest, tax and depreciation (EBITDA¹) and adjusted profit before tax (adjusted PBT¹)**

In the year ended 31 March 2018 EBITDA rose by 7.8% and adjusted PBT increased by 2.8%.

- **Deliver an acceptable return on capital employed (ROCE¹)**

ROCE for the year ended 31 March 2018 was 16.1%.

Our key performance indicators ('KPIs') are summarised below. These KPIs are also used as measures for our Long Term Alignment Plan ('LTAP') for Directors and senior employees.

- **Reduce net debt/EBITDA¹ to the range 1 – 2 times**

At 31 March 2018 net debt/EBITDA was 2.9 times (31 March 2017: 2.9 times).

- **Grow our four key brands ahead of the market**

In the year ended 31 March 2018 Cathedral City, Clover and Frylight grew ahead of the market although Country Life did not (31 March 2017: three of our key brands grew ahead of the market).

¹ These APMs are defined and reconciled on pages 123 to 124 of the 2017/18 Annual Report.

3 To generate cash and reduce risk

Progress 2017/18

- Future annual increases for pensions in payment now linked to CPI rather than RPI, thereby reducing estimate of future benefit costs and consequently cash contributions to the Group Pension Fund. Liabilities reduced by an estimated £132 million as a result
- Gearing unchanged at 2.9 times
- Cash generated from operations up 3% at £33.7 million – despite £34.4 million outflow to fund stock

Future priorities

- Free cash flow expected to increase as cost pressures ease, pension liabilities reduce and capital expenditure reverts to a lower run rate. This will enable further reductions in gearing
- New IT system will reduce process and data complexity
- Next full pension scheme valuation due in March 2019

4 To make acquisitions where they will generate value

Progress 2017/18

- Focus has been on organic growth and we have not made any acquisitions during the year ended 31 March 2018

Future priorities

- Continue to look for value-enhancing acquisitions which meet our stringent requirements

● Deliver cost saving initiatives

Cost reduction projects initiated in the year ended 31 March 2018 have delivered substantial benefits ahead of plan.

● Achieve innovation revenue targets for products developed in the last three years

In the year ended 31 March 2018 around 14% of our revenue came from such sales against a target of 10% (31 March 2017: 13% of revenue).

● Improve corporate responsibility measures

During the year we focussed our corporate responsibility efforts on 14 pledges grouped under the four pillars of Climate, Colleagues, Consumers and Community. See the Corporate Responsibility section on pages 20 to 25 for more detail.

Key financial data

	2017/18	2016/17	2015/16	Restated* 2014/15	Restated* 2013/14
Revenue (£m)	456.8	416.6	422.3	448.2	446.2
Total product group profit – continuing operations (£m)	71.8	68.3	66.0	66.9	56.4
Adjusted profit before tax – continuing operations (£m)	62.3	60.6	57.7	58.8	46.5
Adjusted earnings per share (p)	36.7	35.6	34.5	34.3	30.6
Dividend per share (p)	22.6	22.5	22.1	21.7	21.3
Net debt (£m)	265.7	249.8	229.0	198.7	142.2

* Restated to remove discontinued operations.

Board of Directors



Stephen Alexander
Chairman



Mark Allen
Chief Executive



Tom Atherton
Deputy Chief Executive
& Group Finance Director



Adam Braithwaite
Executive Director



Richard Macdonald
Non-executive Director



Sue Farr
Non-executive Director



John Gibney
Non-executive Director



Moni Mannings
Non-executive Director

Listing information

Market: FTSE 250

Symbol: DCG

Sector: Food producers

Shares in issue: 155.5 million

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