

## THIRD QUARTER 2018 INTERIM MANAGEMENT STATEMENT

### Q3 YTD volume growth of 6.7% – Full year earnings guidance reiterated

1 November 2018 – Glanbia plc, the global nutrition group ('Glanbia', the 'Group' or the "plc"), is issuing this Interim Management Statement for the nine month period ended 29 September 2018.

#### Commenting today, Siobhán Talbot, Group Managing Director said:

"The year is progressing as planned and good delivery in the third quarter resulted in volume growth of 6.7% in the first nine months of 2018 from our wholly-owned continuing operations. This reflected good demand across Glanbia Performance Nutrition ("GPN") and Glanbia Nutritionals ("GN"). Pricing declined by 4.1% largely as a result of lower year-on-year dairy markets which is also benefitting input costs and we expect full year margins in GPN and GN will be in line with prior year. We continue to execute our strategy and, in addition to growth in our core business, we recently announced the acquisition of SlimFast which will further enhance our portfolio. We reiterate our full year guidance of 5% to 8% growth in adjusted earnings per share, constant currency, for the continuing Group in 2018."

#### Performance update (Continuing operations\*)

In the nine months ended 29 September 2018, wholly owned revenue from continuing operations increased 3.7%, constant currency. On a reported basis, reflecting the weaker US Dollar Euro foreign exchange rate, revenue decreased by 2.6% when compared to the same period in 2017. Revenue increase, on a constant currency basis, was driven by volume growth of 6.7% and acquisitions which delivered 1.1%. Pricing declined by 4.1% versus the same period in the prior year driven by relatively weaker dairy markets and brand investment.

#### Glanbia Performance Nutrition (all commentary is on a constant currency basis\*\*)

GPN delivered revenue growth of 4.7% in the first nine months of 2018. This was driven by volume growth of 6.7%, the Body & Fit acquisition delivering 2.4%, offset by a pricing decline of 4.4%.

Volume growth was broadly based and underpinned by successful innovation in key markets. Pricing decline reflected reinvestment of input cost savings in brand investment, foreign exchange headwinds, in certain non US markets, and innovation support. In the US, the market remains competitive for ready-to-eat in particular. GPN continues to manage channel shift to the food, drug, mass and club channel ("FDMC") reflecting broader lifestyle consumer demand. In the LAPAC region several markets across Asia and LATAM delivered a good performance.

The full year 2018 outlook for GPN is good. Guidance is reiterated for the delivery of like-for-like branded volume growth in the mid-to-high single digit range. EBITA margins for the full year are expected to be broadly in line with 2017.

#### Acquisition of SlimFast

After the period end, on 11 October 2018, Glanbia announced that it had agreed with the owners of KSF Holdings LLP and HNS Intermediate Corporation who collectively own SlimFast and other brands ("SlimFast"), to acquire such entities for \$350 million (the "Transaction"). SlimFast will be part of the GPN segment and is a leading weight management and health & wellness brand family distributed primarily in the FDMC channel in the US and UK. It is a well-established and growing brand with high levels of brand awareness in the US, its largest market. SlimFast is a good strategic fit for Glanbia as it participates in the growing \$8 billion global weight management nutrition category which is incremental to performance nutrition and fulfils a key consumer motivation for GPN's lifestyle consumers. It has a strong position in the ready-to-drink format and provides scale in the FDMC channel. The transaction is expected to close before the end of 2018 and is expected to be earnings accretive from 2019.

## **Glanbia Nutritionals (all commentary is on a constant currency basis\*\*)**

GN delivered revenue growth of 3.0% in the first nine months of 2018. This was driven by a volume increase of 6.8% offset by a price decline of 3.8%.

### **Nutritional Solutions**

Nutritional Solutions ('NS') revenue increased by 0.7% in the period. This was driven by volume growth of 7.3% as a result of a strong performance across all regions in the third quarter. Price declined by 6.6% which was primarily related to relatively lower year-on-year dairy prices. NS continues to focus on value-added ingredient solutions to drive growth with its customers. In the period specialist vitamin & mineral blends, dairy and plant-based ingredients all performed well.

### **US Cheese**

US Cheese revenue increased by 4.8% in the period. This was driven by volume growth of 6.4% due to the timing of customer off-takes versus the prior year. Pricing declined by 1.6% as a result of reduced year-on-year cheese markets.

GN expects moderate EBITA growth in full year 2018 to be driven by non-dairy ingredients and US Cheese which will be offset by a reduced performance in dairy ingredients as a result of lower year-on-year whey markets. Guidance for GN is reiterated with volume growth in Nutritional Solutions expected to be in the mid-to-high single digit range. GN's EBITA margin for full year 2018 is expected to be line with prior year.

## **Joint Ventures (all commentary is on a constant currency\*\* basis)**

Glanbia's share of Joint Ventures ("JVs") revenue from continuing operations\*\*\* increased by 5.0% in the first nine months of 2018. This was driven by volume growth of 8.4% primarily as a result of the capacity expansion at the Southwest Cheese JV, which was completed in the first half of 2018, and milk supply growth in the Glanbia Ireland JV. This was offset by a pricing decline of 3.4% due to comparatively lower year-on-year dairy markets.

The lag between dairy market price movements and milk input costs is likely to reduce margins in JVs and as a result JVs are expected to deliver a somewhat reduced share of profit after tax in full year 2018 versus prior year.

## **Financing**

Glanbia's net debt at 29 September 2018 was €398 million, which represents a decrease of €84 million versus the net debt position at the end of the third quarter of 2017. This improvement has been primarily driven by good cash conversion. Glanbia expects to close the SlimFast acquisition before the end of 2018 and will use available banking facilities to finance the Transaction in full. Glanbia expects to deliver over 80% operating cash conversion of EBITDA in 2018. Total 2018 capital expenditure is expected to be approximately €65 million to €75 million. On this basis Glanbia expects its net debt to EBITDA ratio to be under 2 times at the 2018 financial year end.

## **Full year outlook**

Glanbia reiterates its guidance that on a pro-forma\* basis adjusted earnings per share for the continuing Group is expected to grow between 5% - 8% constant currency for full year 2018. If the average Euro US Dollar foreign exchange rate for the full year remains at similar levels to the average rate for the first nine months of 2018 Glanbia expects an approximate 5% translational headwind to full year reported results.

\* Pro-forma adjusted Earnings Per Share of the continuing Group. This eliminates the contribution of discontinued operations from prior year comparatives. Discontinued operations relates to assets which were sold during 2017.

\*\* The Constant Currency movement elements the impact of foreign exchange rates on translation of results to Euro for reporting. To arrive at the Constant Currency change, the average FX rate for the current period is applied to the relevant reported result from the same period in the prior year. The average Euro US Dollar FX rate year to date ('YTD') to Q3 2018 was €1 = \$1.195 (YTD to Q3 2017 was €1 = \$1.114).

\*\*\* Continuing operations within Joint Ventures assumes the full year effect of an acquisition completed during 2017 by the Glanbia Ireland joint venture on the 2017 comparable revenue number.

## Ends

### Cautionary statement

This announcement contains forward-looking statements. These statements have been made by the Directors in good faith based on the information available to them up to the time of their approval of this report. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The Directors undertake no obligation to update any forward-looking statements contained in this announcement, whether as a result of new information, future events, or otherwise.

### IMS conference call dial-in details

There will be an analysts' conference call to accompany this Interim Management Statement at **8.30 a.m.** (GMT) today.

To listen to the call, please dial-in using the following numbers:

Ireland	UK	Europe	USA	Pass code
01 2465638	0330 336 9105	+44 330 336 9105	323 794 2423	5470330

A replay of the call will be available for 30 days from this afternoon. Please see the link below to the Investor Relations section of the Glanbia plc website for details:

<http://www.glanbia.com/investors/results-centre>

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