Group Strategy

Our long-term strategy is to build a sustainable brand-led multi-beverage drinks business through a combination of organic growth and selective acquisitions.

Strategic pillars	*Medium term strategic goals*	*Financial characteristics*
Enhance value of key brands	Brand and product investment to build value of key brands over the long-term	Cash generation and Balance Sheet strength EPS growth
Grow Super-Premium and Craft portfolio	Leverage key brand strength and market position to grow our portfolio of Premium and Craft brands	
Brand-led drinks wholesaler in key markets	Deliver unrivalled portfolio strength, value and service to the UK and Irish hospitality sectors	
Rigorous focus on costs and efficiencies	Ongoing commitment to delivering operational efficiencies and cost control	
International growth	Grow international volumes of our key brands through strategic alliances	
Capital allocation to enhance growth and shareholder returns	Selective acquisitions to fuel sustainable, profitable growth and/or cash returns to shareholders	

Achievements during FY2018

- FY2018 saw a resilient performance across our branded portfolio in the UK and Ireland, with total C&C branded volumes +0.3%; revenues +0.8%, outperforming the wider beer and cider sectors.
- The Tennent's brand has had a very strong year, benefitting from continued investment in social media, sponsorship and new fount roll-out programme. Net sales revenues for the Tennent's brand for the period were up 5.3% in GB. After a slow start, Magners volumes have gathered momentum through the second half +9% (H1 2018: -6%).
- During the year, we significantly increased our investment behind the Bulmers brand. This included the launch of Outcider by Bulmers, and a new marketing campaign for Bulmers Original under the tag-line "100% Irish". Brand affinity and brand salience scores for Bulmers increased with our key target demographic of 18-24 years olds by 8ppts on each measure, to 40% and 54%, respectively.

- Strong organic growth in super-premium and craft with volumes +41% across our portfolio. Our super-premium and craft portfolio now contributes 108kHL of volumes and revenues of €15.7m.
- In Ireland, we increased our financial investment in the Five Lamps brewery in Dublin. To complement the Five Lamps range of craft lagers we launched our Dowd's Lane range of traditional craft Ales, Stouts and Cider.
- In the UK, Menabrea increased volumes by +55% to 18kHL, achieving good growth across national on and off-trade accounts, casual dining as well as the Scottish IFT. Heverlee was +33% and Drygate, our Scottish craft joint venture, almost doubled. Off-trade distribution points for our UK premium and craft portfolio has grown from 350 in March 2017 to 5,691 now.
- We strengthened our craft portfolio completing the purchase of Orchard Pig during the year. Orchard Pig is a fast-growing craft cider brand based in Somerset which has built a strong consumer franchise and an impressive distribution footprint across the on and off-trade.

- Operational and financial performance at our Tennent's wholesale distribution business in Scotland strengthened throughout the year. Customer numbers are up +2% year-on-year, volumes were up 3% for the year (H1 2018: +1%), with revenues further ahead.
- Success has been driven by leveraging the Group's procurement scale to deliver value to customers, excellence in service levels, including a streamlined ordering process with on-line ordering.
- The performance of our C&C Gleeson wholesaling business improved through the year, with a strengthened management team leveraging off the procurement synergies of the C&C Group, for the ultimate benefit of customers.
- Our wine businesses in Scotland and Ireland performed strongly with volumes up +4% and +3%, respectively. Both businesses benefitting from good performance at our own label and distribution brands such as Santa Rita and Castella.

- The Group completed its major site rationalisation programme during 2016 and operated smoothly from its two principal manufacturing facilities at Wellpark and Clonmel. Utilisation rate across our plants were in line with expectations and capex requirements have returned to more normalised levels.
- Our new distribution partnership with AB InBev on cider in the UK enabled us to make some synergy savings in sales and marketing overheads in Great Britain. The AB InBev partnership also enables us to streamline our divisional management and reporting structure.
- Capex for the full year includes c.€3m of investment in IT infrastructure in Ireland that will facilitate more consolidation across our back office functions and supports our slimmed down divisional structure.

- We made good progress in the year transitioning our brands in certain key target markets to higher quality and proven international partners, such as AB InBev, Coca Cola Amatil and Karlsberg.
- Our Export markets (excluding North America) grew volumes in aggregate for the year by +2%. However, excluding discontinued/suspended activity in India and Africa, these markets were in growth by 10%, in line with our long-term growth targets for this part of the business.
- In the US our cider brands continued to be negatively impacted by declines in the overall cider market. In February 2018, we announced that we were resuming full responsibility for the sales and marketing of our brands in the US and terminating our distribution arrangements with Pabst Brewing Company.

- The Group delivered strong free cash flow of €71m in the year and cash conversion of 71% of Adjusted EBITDA
- This was a year of strategic investment: €42 million investment in Admiral Taverns, €11 million on our craft brand portfolio and a further €78 million returned to shareholders through a combination of share buybacks and dividends, taking net debt/EBITDA at February 2018 of 2.37x.
- Strong Balance Sheet and cash conversion profile enabled the acquisition post year end of Matthew Clark Bibendum for £135 million, in addition to funding on-going working capital requirements.

Group Strategy
(continued)

Strategic priorities for FY2019

Core Objective

Our core strategic objective is to deliver earnings growth.

Strategic Priorities

EXISTING BUSINESSES

- to strengthen and grow core brands and develop a portfolio of differentiated premium brands to capitalise on niche, craft and specialist opportunities
- to leverage integrated brand-led wholesale platforms in Ireland and Scotland to drive revenue growth and operational efficiencies
- stabilise the recently acquired Matthew Clark Bibendum acquisition and return stock, working capital and customer service levels to normalised positions
- leverage the revenue and procurement synergies available from our Admiral Taverns investment
- to grow international volumes and earnings through distribution partnerships

CAPITAL ALLOCATION

- maintain the strong cash conversion characteristics of the business
- after increased investment in FY2018 and Matthew Clark Bibendum post year end we will start to de-gear towards target leverage of 2x Net Debt/EBITDA

CORPORATE RESPONSIBILITY

- targeting further sustainability improvements across the Group
- focusing our social responsibility agenda on engagement in the community
- achieving a continuous improvement in workforce health and safety