31 July 2024

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KERRY GROUP
HALF YEAR RESULTS 2024

Strong H1 Performance & Guidance Upgrade

HIGHLIGHTS

- Group revenue of €3.9bn
- Taste & Nutrition volume growth of 3.1% *(Q2: +3.2%)* | Group volumes +1.7% *(Q2: +1.5%)*
- Taste & Nutrition EBITDA margin +130bps | Group +160bps
- Dairy Ireland EBITDA of €35m *(H1 2023: €29m)*
- Group EBITDA of €552m *(H1 2023: €518m)*
- Adjusted EPS of 194.1 cent, up 9.1% on a constant currency basis *(7.8% reported currency growth)*
- Free cash flow of €445m reflecting 131% cash conversion
- Interim dividend per share increase of 10.1% to 38.1 cent
- Share repurchases of €279m in H1 | Intention to initiate a further programme
- Full year constant currency adjusted EPS guidance range of 7% to 10%

Edmond Scanlon, Chief Executive Officer

"We are pleased to report a good performance across the first half of the year. Taste & Nutrition delivered good volume growth ahead of our end markets, with strong profit growth and margin expansion across the business, contributing to our earnings per share growth of 9.1% in the period.

Taste & Nutrition volume growth was led by strong performances in the foodservice channel across all three regions, as we continue to support established foodservice chains evolve and develop their businesses, while working with emerging leaders to upscale their operations and offerings. Volume growth in the retail channel was driven by good performances in the Americas and APMEA, led by very strong growth in Snack applications with Kerry's leading range of savoury taste profiles and Tastesense® salt-reduction technologies.

From a capital allocation perspective, we continued to invest to support the organic development of our business, while also completing the Lactase enzymes business acquisition and progressing our share repurchase activity through the period.

Given the strength of our financial performance and our innovation pipeline, today we are updating our full year constant currency adjusted earnings per share guidance to 7% to 10%."

Markets and Performance

The demand environment across food & beverage markets remained relatively muted through the first half of the year, given the recent inflation across many geographies. Customer innovation activity focused mainly on new taste profiles and relative value options, along with product renovation to enhance nutritional characteristics of food and beverage products, while many customers initiated measures to stimulate growth towards the end of the period through increased promotional and advertising activity.

Group revenue of €3.9 billion in the period comprised volume growth of 1.7%, pricing deflation of 4.0%, unfavourable translation currency of 0.9% and the effect from disposals net of acquisitions of 2.7% resulting in lower reported revenue for the period of 5.9%. Group EBITDA increased by 6.6% to €552m. Group EBITDA margin increased by 160bps to 14.2%, driven by benefits from the Accelerate Operational Excellence Programme, a positive impact from portfolio developments, operating leverage, product mix, and the net effect from pricing.

Constant currency adjusted earnings per share increased by 9.1% to 194.1 cent and an increase of 7.8% in reported currency. Basic earnings per share decreased to 166.7 cent (H1 2023: 201.7 cent) primarily reflecting the profit on disposal of businesses and assets in the prior year.

Free cash flow of €445m (H1 2023: €232m) represented cash conversion of 131%, driven by increased profit and an improvement in working capital on an average basis. The interim dividend of 38.1 cent per share reflects an increase of 10.1% over the 2023 interim dividend. During the period, the Group repurchased €279m of Kerry Group plc 'A' ordinary shares as part of its Share Buyback Programmes. Given good cash generation and current market conditions, the Group intends to initiate a further programme post the completion of the current programme.

Business Reviews

Taste & Nutrition

Volume growth led by strong foodservice performance

	H1 2024	Performance
Revenue	€3,419m	+3.1%[1]
EBITDA	€551m	+5.5%
EBITDA margin	16.1%	+130bps

[1] volume performance

- Volume growth of 3.1% (Q2: +3.2%) was ahead of end markets
- Growth led by Snacks, Meals and Beverage EUMs
- Pricing -3.0% (Q2: -2.2%) reflected some input cost deflation
- EBITDA margin expansion of 130bps driven by cost efficiencies, portfolio developments, operating leverage, product mix and the net effect of pricing

Taste & Nutrition delivered good volume growth ahead of its end markets, which remained relatively muted through the period. Foodservice continued to perform strongly with volume growth of 7.3%, supported by new menu innovations, seasonal products and solutions to reduce operational cost and complexity, while growth in the retail channel reflected good performances in the Americas and APMEA.

Growth in the period was led by innovations incorporating Kerry's range of taste and proactive health technologies. This was supported by strong performance across savoury taste, botanicals and natural extracts, Tastesense® salt and sugar reduction technologies, as well as proactive health technologies for digestive and cognitive need states in particular. Volume growth in food protection and preservation was driven by new clean label launches in food applications.

Business volumes in emerging markets increased by 6.6% in the period, led by strong growth in the Middle East and Africa.

Within the global Pharma EUM, growth in excipients was more than offset by phasing of volumes in cell nutrition.

The previously announced carve-out acquisition of part of the global lactase enzyme business of Novonesis (formerly Chr. Hansen Holding A/S and Novozymes A/S) was completed during the period. This acquisition[2] is strongly aligned to Kerry's recent strategic enhancement of its biotechnology capabilities, while extending Kerry's enzyme manufacturing capabilities and footprint to three continents with its focus on food, beverage and pharma applications.

[2] See note 10 – Business Combinations in the Notes to the Condensed Interim Financial Statements for details.

Americas Region

> Volumes +3.4% (Q2: +3.2%)
> Growth led by Snacks, Meals and Bakery EUMs
> Retail achieved good growth with continued strong growth in Foodservice
> LATAM growth led by Mexico

Reported revenue in the Americas region of €1,890m reflected good broad-based volume growth across end markets.

Within North America, Snacks achieved excellent growth with new business wins incorporating Kerry's leading range of savoury taste profiles and Tastesense® salt-reduction technologies. Meals delivered good growth through a number of new culinary taste launches across both retail and foodservice channels. Growth in Bakery was supported by performance in preservation and taste systems. Beverage performed well across botanicals, coffee extracts and Tastesense® sugar reduction technologies, with growth in functional beverage driven by Kerry's proactive health technologies.

Foodservice delivered strong volume growth in the period, supported by innovations with quick service restaurants, fast-casual outlets and coffee chains, while good growth in the retail channel was achieved across both customer and retailer brands.

Within LATAM, good growth was achieved in Mexico across Beverage and Snacks, with Brazil delivering a solid performance.

Europe Region

> Volumes -1.0% (Q2: -0.5%) against strong comparatives
> Meals and Beverage achieved good growth
> Foodservice performed well while the retail channel reflected soft market dynamics

Reported revenue in the Europe region of €708m reflected strong comparatives and market conditions, particularly in the retail channel given recent inflation across the region.

Within the Food EUM, Meals delivered good growth through solutions incorporating Kerry's food protection, preservation and authentic taste technologies, while performance in Dairy and Snacks reflected strong prior year comparatives. Beverage performed well in functional and refreshing beverages supported by a number of new innovations with Kerry's proactive health portfolio.

Foodservice continued to deliver good growth supported by launches in meat and beverage applications with a number of customers, combined with increased seasonal and limited time offering activity across the region.

APMEA Region

> Volumes +5.5% (Q2: +6.2%)
> Snacks, Meat and Beverage delivered good growth
> Foodservice achieved strong growth with good growth in retail

Reported revenue in the APMEA region of €794m reflected strong growth in the Middle East and Africa, with volumes in China broadly similar to the prior year and Southeast Asia improving in the period.

Snacks delivered very strong growth across leading global and regional brands, through innovations and increased demand for Kerry's range of authentic local savoury taste profiles. Good growth was achieved in Meat through taste and preservation systems, while Beverage performed well with refreshing beverage innovations.

Foodservice delivered very strong volume growth with leading regional coffee chains and quick service restaurants. Growth in the retail channel was supported by strong demand for Kerry's range of local authentic taste solutions with regional leaders in particular.

Dairy Ireland

Good EBITDA Performance led by Dairy Consumer Products

	H1 2024	Performance
Revenue	€592m	-1.9%[1]
EBITDA	€35m	+19.9%
EBITDA margin	5.9%	+160bps

[1] volume performance

The segment achieved a good EBITDA performance of €35m with margin expansion of 160bps in the first half of the year. This was driven by Dairy Consumer Products' growth and mix development as well as recovery in Dairy Ingredients.

Revenue for the first half of the year of €592m included volumes of -1.9% and pricing of -6.9%. Dairy Consumer Products performed well, with volume growth led by Kerry's snacking and branded cheese ranges. Dairy Ingredients' volumes reflected softer overall supply across the period given local market conditions.

During the period, Dairy Consumer Products increased its *Cheestrings* manufacturing capacity with the commissioning of its extended plant in Charleville, Ireland and also launched the new *SMUG* hybrid range of oat and dairy-based milk, cheese and butter products.

Financial Review

	% change	H1 2024 €'m	H1 2023 €'m
Revenue	(5.9%)	**3,880.4**	4,121.6
EBITDA	6.6%	**552.2**	518.0
EBITDA margin		***14.2%***	*12.6%*
Depreciation (net)		**(113.0)**	(109.0)
Computer software amortisation		**(18.0)**	(15.6)
Finance costs (net)		**(27.8)**	(27.5)
Share of joint ventures' results after taxation		**(1.0)**	(0.7)
Adjusted earnings before taxation		**392.4**	365.2
Income taxes (excluding non-trading items)		**(53.1)**	(45.8)
Adjusted earnings after taxation		**339.3**	319.4
Brand related intangible asset amortisation		**(27.6)**	(26.5)
Non-trading items (net of related tax)		**(20.2)**	65.0
Profit after taxation		**291.5**	357.9
Attributable to:			
Equity holders of the parent		**291.5**	358.2
Non-controlling interests		**-**	(0.3)
		291.5	357.9

		EPS cent	EPS cent
Basic EPS	(17.4%)	**166.7**	201.7
Brand related intangible asset amortisation		**15.8**	14.9
Non-trading items (net of related tax)		**11.6**	(36.6)
Adjusted EPS	7.8%	**194.1**	180.0
Impact of exchange rate translation	1.3%		
Adjusted EPS growth in constant currency	**9.1%**		

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

Revenue

The table below presents the revenue performance components for the Group and reporting segments.

H1 2024	Volume	Price	Currency[3]	Acquisitions	Disposals	Reported Revenue
Taste & Nutrition	3.1%	(3.0%)	(1.1%)	0.7%	(3.1%)	(3.4%)
Dairy Ireland	(1.9%)	(6.9%)	0.4%	-	(3.8%)[4]	(12.2%)
Group	**1.7%**	**(4.0%)**	**(0.9%)**	**0.6%**	**(3.3%)**	**(5.9%)**

H1 2023	Volume	Price	Currency[3]	Acquisitions	Disposals	Reported Revenue
Taste & Nutrition	1.4%	5.4%	(0.1%)	1.3%	(5.3%)	2.7%
Dairy Ireland	(2.5%)	0.4%	(0.9%)	-	-	(3.0%)
Group	0.6%	4.5%	(0.1%)	1.1%	(4.5%)	1.6%

[3] This includes the impact of transaction and translation currency – see financial definitions for further breakdown.

[4] Reduction in revenue reflects changes in contractual arrangements implemented in the current year, where Dairy Ireland has become an agent, in accordance with IFRS 15 'Revenue from Contracts with Customers'. The related revenue in H1 2024 amounted to €1m (H1 2023: €26m).

EBITDA & Margin %

Group EBITDA increased by **6.6%** to **€552.2m** (H1 2023: €518.0m). Reported EBITDA margin of **14.2%** (H1 2023: 12.6%) increased by 160bps primarily driven by the benefits from the Accelerate Operational Excellence Programme, portfolio developments, operating leverage, product mix and the net effect of pricing. The EBITDA margin by business segment was 16.1% in Taste & Nutrition and 5.9% in Dairy Ireland in the period.

Finance Costs (net)

Finance costs (net) were **€27.8m** similar to the prior period (H1 2023: €27.5m). Interest income increased year on year due to interest on the vendor loan note and higher deposit interest rates, offset by increased borrowing rates on floating rate debt and overdrafts.

Taxation

The tax charge for the period before non-trading items was **€53.1m** (H1 2023: €45.8m) representing an effective tax rate of **14.5%** (H1 2023: 13.5%) and reflective of the geographical mix of earnings.

Non-Trading Items

During the period, the Group incurred an overall non-trading charge of **€20.2m** (H1 2023: €65.0m credit) net of tax. The charge in the period is primarily related to the Accelerate Operational Excellence Transformation Programme. The credit in the prior year related to the profit on sale of the business/assets primarily related to the Sweet Ingredients Portfolio divestment offset by a charge relating to the Accelerate Operational Excellence Transformation Programme.

Foreign Exchange Rates

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 **1.09** (2023: 1.05) and **0.86** (2023: 0.85) respectively.

Return on Average Capital Employed (ROACE)

Group ROACE at the period end was **10.3%** (H1 2023: 10.2%) reflective of the increase in profits in the period and the movement in average capital employed.

Free Cash Flow

The Group achieved free cash flow of **€445.4m** in H1 2024 (H1 2023: €231.9m) reflecting 131% cash conversion in the period primarily driven by increased profit and an improvement in average working capital in the first six months of 2024 compared to the average working capital during the first six months of 2023. Net cash from operating activities for the period was **€367.0m** (H1 2023: €309.7m) reflective of the increased profits partially offset by an investment in working capital of €87.6m since the year end, predominately related to the seasonal nature of the Dairy Ireland business.

Free Cash Flow	H1 2024 €'m	H1 2023 €'m
EBITDA	**552.2**	518.0
Movement in average working capital	**79.5**	(103.2)
Pension contributions paid less pension expense	**(2.4)**	(2.7)
Finance costs paid (net)	**(14.2)**	(19.5)
Income taxes paid	**(49.5)**	(55.0)
Capital expenditure (net)	**(120.2)**	(105.7)
Free cash flow	**445.4**	231.9
Cash conversion[5]	**131%**	73%

[5] Cash conversion is free cash flow expressed as a percentage of adjusted earnings after taxation.

Net Debt

Net debt at the end of the period was **€1,843.9m** (31 December 2023: €1,604.1m). The increase relative to December reflects strong business cash generation offset by acquisition spend, dividends and the Share Buyback Programme.

Liquidity Analysis

The Group's balance sheet is in a strong position with a Net debt to EBITDA ratio of **1.6** times.

	H1 2024 Times	H1 2023 Times
Net debt: EBITDA	**1.6**	1.6
EBITDA: Net interest	**23.2**	19.0

Principal Risks and Uncertainties

Details of the principal risks and uncertainties facing the Group can be found in the 2023 Annual Report on pages 97 to 103 and continue to be the principal risks and uncertainties facing the Group for the remaining six months of the financial year. These risks include but are not limited to; portfolio management, business acquisition and divestiture, climate change and environmental, people, business ethics and social responsibility, food safety, quality and regulatory, health & safety, margin management, cyber and information systems security, operational and supply chain resilience, intellectual property, taxation and treasury. The Group continues to manage the interdependency of these risks and actively manages all risks through its control and risk management process.

Share Buyback Programme

In May 2024, the Board approved a new Share Buyback Programme of up to €300 million. The Share Buyback Programme is underpinned by the Group's strong balance sheet and cash flow and is aligned to Kerry's Capital Allocation Framework. The programme commenced on 7 May 2024 and will end no later than 19 December 2024. In the period from 7 May 2024 to 30 June 2024 the Company purchased 1,035,583 shares at a total cost of €80.1m.

The €300 million Share Buyback Programme announced in October 2023, commenced on 1 November 2023 and was completed by 30 April 2024. In the period to 30 June 2024, the Company acquired 2,481,191 shares at a cost of €198.6m resulting in a total number of shares acquired as part of this programme of 3,854,452 at a total cost of €300.3m including transaction costs of €0.3m.

Dividend

The Board has declared an interim dividend of **38.1 cent** per share, compared to the prior year interim dividend of 34.6 cent, payable on 8 November 2024 to shareholders on the record date 11 October 2024.

Future Prospects

Kerry has a good innovation pipeline and remains well positioned for good volume growth and strong margin expansion, while recognising consumer market demand remains relatively subdued.

The Group will continue to develop its business and portfolio aligned to its strategic priorities.

Given financial performance in the first half of the year and Kerry's innovation pipeline, the Group is updating its full year constant currency adjusted earnings per share guidance to 7% to 10%[6] (previously 5.5% to 8.5%).

[6] Foreign currency translation expected to be a headwind of ~1% on earnings per share in the full year. Guidance based on average number of shares in issue of ~173m.

Responsibility Statement

The Directors are responsible for preparing the Half Yearly Financial Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 as amended ('the Regulations'), the Central Bank (Investment Market Conduct) Rules 2019, the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as issued by IASB and as adopted by the European Union.

The Directors confirm that to the best of their knowledge:

- the Group Condensed Consolidated Interim Financial Statements for the half year ended 30 June 2024 have been prepared in accordance with the international accounting standard applicable to interim financial reporting adopted pursuant to the procedure provided for under Article 6 of the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- the Interim Management Report includes a fair review of the important events that have occurred during the first six months of the financial year, and their impact on the Group Condensed Consolidated Interim Financial Statements for the half year ended 30 June 2024, and a description of the principal risks and uncertainties for the remaining six months; and
- the Interim Management Report includes a fair review of the related party transactions that have occurred during the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period, and any changes in the related parties' transactions described in the last Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

On behalf of the Board

Edmond Scanlon
Chief Executive Officer

Marguerite Larkin
Chief Financial Officer

30 July 2024