



12 November 2024

LEI: 635400TLVBNXLFHWC59

This announcement contains inside information

KERRY GROUP PLC

PROPOSED SALE OF KERRY DAIRY IRELAND TO KERRY CO-OPERATIVE CREAMERIES LIMITED

Kerry Group to Become a Pure Play Taste and Nutrition Company

Kerry Group plc (“Kerry Group” or “Kerry”) today announces that it has entered into an agreement with Kerry Co-Operative Creameries Limited (the “Co-Op”) to sell Kerry Dairy Holdings (Ireland) Limited (“Kerry Dairy Ireland”) to the Co-Op (the “Disposal”) for a total expected consideration of €500 million¹. Kerry Dairy Ireland is fully owned by Kerry.

Kerry Dairy Ireland consists of Dairy Consumer Products, with its leading range of well-loved brands across cheese, cheese snacks, dairy snacks and dairy spreads which can be found in chilled cabinets across retailers in the UK and Ireland. It also comprises the Dairy Ingredients business, which is a leading provider of Irish dairy ingredients including functional dairy proteins, nutritional dairy bases and cheese systems, along with the provision of related agribusiness products and services.

Pursuant to the Share Exchange Steps (as described below), the Co-Op members will become direct owners of Kerry shares equivalent to 85% of the Co-Op’s current shareholding. The remaining 15% of the Co-Op’s shareholding in Kerry will be redeemed as part of the consideration for the Disposal, following which the Co-Op will cease to be a shareholder in Kerry and Kerry’s issued share capital will reduce by approximately 2.9 million shares. The transaction will involve no public placement of Kerry Group plc shares.

The Disposal and the Share Exchange Steps are referred to in this announcement as the “Proposed Transaction”.

Under the Proposed Transaction, the Co-Op will initially acquire a 70%² interest in Kerry Dairy Ireland (the “Phase 1 Transaction”), while Kerry will retain a 30% interest. The parties have further agreed to certain call-put option arrangements which will transfer the remaining 30% in Kerry Dairy Ireland to the Co-Op in the forthcoming years (the “Phase 2 Transaction”).

Highlights of the Proposed Transaction

- > Will result in two leading businesses, Kerry Group and Kerry Dairy Ireland, each better positioned to focus on their respective strategies and capital allocation priorities:
 - Kerry Group: A leading global provider of taste and nutrition solutions for the food, beverage and pharmaceutical markets.
 - Kerry Dairy Ireland: A leading Irish provider of dairy consumer products and dairy ingredients.
- > For the fiscal year 2023, Kerry Dairy Ireland generated revenue of €1,283.4 million (FY2022: €1,538.9 million) and an EBITDA of €53.4 million (FY2022: €70.7 million). The profit before tax attributable to the assets of Kerry Dairy Ireland at the end of December 2023 was €32 million. The attributable net assets of Kerry Dairy Ireland at the end of December 2023 were €446 million, with gross assets of €562 million inclusive of attributable goodwill and intangibles of €152 million.
- > The Proposed Transaction values Kerry Dairy Ireland at an enterprise value of €500 million¹, equivalent to a multiple of 9.4x EBITDA for the fiscal year ended 31 December 2023 (FY2022: 7.1x EBITDA).

¹ Subject to certain adjustment mechanisms described below.

² Subject to potential adjustment according to agreed mechanisms applicable in certain scenarios.

- > The consideration for the Phase 1 Transaction will be an estimated €350 million¹ and will be satisfied by the following means:
 - Consideration in the form of Kerry shares by way of a redemption by Kerry of a portion of the Co-Op's shareholding in Kerry, to occur in connection with the Share Exchange Steps, in an estimated amount of €251 million and equivalent to approximately 2.9 million Kerry shares³;
 - A cash payment in an estimated amount of €56 million funded by way of third party acquisition debt; and
 - A loan agreement to be entered into between Kerry and the Co-Op in an estimated amount of €43 million⁴.
- > Kerry will be entitled to a fixed dividend of €7.5 million per annum during the period of the joint ownership.
- > The cash proceeds of the Proposed Transaction will be used by Kerry for general corporate purposes.
- > The Phase 1 Transaction is expected to complete by the end of January 2025. From the date of completion of the Phase 1 Transaction, Kerry will no longer consolidate Kerry Dairy Ireland in its Group financial statements and will record its 30% interest as an investment.
- > The Proposed Transaction will have a positive impact on Kerry's overall financial metrics with an enhanced revenue volume growth profile of c.+30 bps p.a., a step change in its EBITDA margin profile of c. +140 bps, while also improving its overall sustainability profile.
- > Given the transaction structure, the Proposed Transaction will result in a minimal dilution to Kerry's adjusted earnings per share of c. 2% in the first year post transaction.
- > The Proposed Transaction includes seven manufacturing facilities and over 1,500 employees.

As the Co-Op holds approximately 11% of the issued share capital of Kerry, the Co-Op is considered to be a substantial shareholder of Kerry for the purpose of the Irish Listing Rules. The Proposed Transaction therefore constitutes a related party transaction for Kerry and is subject to the approval by Kerry's independent shareholders⁵. The Proposed Transaction is also subject to approval by the Co-Op's members and other customary conditions including certain regulatory approvals.

Kerry to Become a Pure Play Taste and Nutrition Company

The Proposed Transaction represents an important step in Kerry's evolution to becoming a fully dedicated global taste and nutrition solutions company. This follows the significant portfolio development over recent years including the build out of its proactive health, food protection and preservation, and enzymes platforms, while also divesting of the Consumer Foods Meats & Meals business and the Sweet Ingredients portfolio. The Proposed Transaction will result in greater portfolio clarity, a more simplified business structure, and increased capital deployment focus across Kerry's core taste and nutrition business, while further strengthening Kerry's ability to execute against its strategic priorities.

The Proposed Transaction will have a positive impact on Kerry's overall financial metrics, with an enhanced revenue volume growth profile, combined with a step change in Kerry's EBITDA margin profile and an improved overall sustainability profile.

Paving the Way for Kerry Dairy Ireland's Long-term Success

The Proposed Transaction builds on the successful partnership between Kerry and the Co-Op, which first began in 1974 and will evolve to a new ownership model for Kerry Dairy Ireland. The structure of the Proposed Transaction with Kerry continuing to have 30% ownership into the future will support continuity and alignment with Kerry Dairy Ireland, the Co-Op's members and other stakeholders.

The Proposed Transaction also brings consumer products and value-add dairy ingredient activities closer to the dairy farmers and broader dairy ecosystem, thereby creating a vertically integrated Irish Dairy player of scale, which will be one of the largest dairy processors in the country. In order to ensure continuity in Kerry Dairy Ireland's operations and facilitate an orderly ownership transition, Kerry, the Co-Op and Kerry Dairy Ireland have agreed that certain transitional services will be provided by Kerry to Kerry Dairy Ireland comprising IT services, group shared services, purchasing services and corporate services. Certain IP licencing arrangements will also be entered into such that the Kerry Dairy Ireland Business can continue to avail of certain IP it requires which is owned by Kerry.

³ Amount based on Kerry share price of €87.90 as of market close on 8 November 2024. Effective amount to be calculated based on the volume-weighted average price (measured over ten business days prior to completion of the Phase 1 Transaction).

⁴ The loan agreement will be on arm's length terms.

⁵ Independent shareholders are Kerry's shareholders other than the Co-Op and persons who are associates of the Co-Op for the purposes of the Irish Listing Rules.

As part of the Proposed Transaction, Kerry and the Co-Op will enter into a Shareholders' Agreement for the period during which Kerry remains a shareholder in Kerry Dairy Ireland with terms and conditions that are customary to transactions of this nature. The board of Kerry Dairy Ireland will consist of up to 13 directors comprised of seven Co-Op directors, three individuals nominated by Kerry, two independent directors, who the Co-Op and Kerry may agree to appoint to the board from time to time, and the Chief Executive Officer ("CEO") of Kerry Dairy Ireland. Kerry Dairy Ireland will continue to be led by Pat Murphy as CEO (who Kerry Dairy Ireland has identified as a key individual important to the business) with support from Kerry Dairy Ireland's existing, strong team of executives and employees.

Edmond Scanlon, Chief Executive Officer of Kerry Group, commented:

"The proposed transaction represents a significant step in Kerry's 50 year journey. Our strategy of continuous business development and portfolio evolution aligned to our customers has been a key underpin of Kerry's success over the years. The proposed transaction will result in a global leader in taste & nutrition solutions and an end-to-end industry leader in dairy. Both businesses are perfectly positioned for success, thanks to the dedication and extraordinary contribution of our people over the years.

On completion, Kerry will become a pure play global business to business taste & nutrition company, with sustainable nutrition at its core, while also supporting our financial objectives of continued market outperformance, strong margin progression, and delivering greater returns for our shareholders."

James Tangney, Chairman of Kerry Co-Op commented:

"We are very pleased to have reached an agreement that will ultimately deliver full ownership of one of the leading dairy businesses in the country, while also, in effect, releasing c.85% of Kerry Co-Op's Kerry Group shares into the hands of our members to be retained or sold by each of them at a time of their choosing.

Kerry Co-Op and Kerry Group have a shared heritage that has helped create value, pioneer change and shape the dairy industry.

As direct shareholders in the plc, members will continue to gain from the Group's progress and, in tandem, the Co-Op will focus on ensuring Kerry Dairy Ireland becomes a platform for future growth".

Additional Detail on the Terms of the Proposed Transaction

> **Phase 1 Transaction:** The consideration for the Phase 1 Transaction will be an estimated €350 million, subject to the following adjustments:

- Customary completion accounts adjustments in respect of cash, debt and working capital;
- A potential valuation adjustment should Kerry Dairy Ireland not achieve agreed adjusted EBITDA targets through to fiscal year end 2025⁶. To the extent any such adjustment should arise, Kerry does not expect it to be material to the Group; and
- A potential adjustment in the unlikely event that there is a material adverse movement in the value realised by the Co-Op as a result of the Share Exchange Steps described below.

> **Share Exchange Steps:** The Co-Op currently holds approximately 19 million Kerry shares equivalent to approximately 11% of the issued share capital of Kerry. The following steps (the "Share Exchange Steps") will occur on completion of Phase 1 of the Proposed Transaction:

- **Share for Share exchange:** A share for share exchange whereby Kerry will acquire approximately 85% of the shares in the Co-Op that are held by its members, in exchange for issuing an amount of Kerry shares directly to the members of the Co-Op, equal in value to approximately 85% of the Kerry shares currently held by the Co-Op;
- **Redemptions:** (a) The redemption by Kerry of the Co-Op's entire shareholding in Kerry (approximately 19 million shares), in exchange for a promissory note of equivalent value, and (b) the redemption by the Co-Op of the Co-Op shares held by Kerry (as acquired in the share for share exchange above) in exchange for a promissory note of equivalent value;
- **Promissory note set off:** The amounts outstanding under each promissory note will be offset against each other, which will result in a promissory note balance in favour of the Co-Op equal to approximately 15% of the market value of the Co-Op's original 11% shareholding in Kerry Group and which will be used by the Co-Op to fund part of the Phase 1 Transaction Consideration.

As a result of the Share Exchange Steps, (i) Kerry's issued share capital will reduce by approximately 2.9 million shares, (ii) the Co-Op will no longer hold shares in Kerry, and (iii) the Co-Op members will directly hold Kerry shares.

⁶ 70% of the potential adjustment amount will apply to the Phase 1 Transaction and 30% will apply to the Phase 2 Transaction.

- > **Phase 2 Transaction:** At any time on or prior to 31 July 2035, the Co-Op will have the right to purchase the remaining 30% interest in Kerry Dairy Ireland in exchange for cash in an amount of €150 million¹, with closing to occur no later than 31 December 2035 (the “Call Option”). In the event that the Co-Op does not exercise the Call Option before 31 July 2030, Kerry will have the right at any time after 31 July 2030 and on or prior to 31 July 2035, to require the Co-Op to purchase the entire 30% interest in Kerry Dairy Ireland for a consideration of €150 million¹ (to be satisfied by way of cash and/or seller loan agreement) with closing to occur by no later than 31 December 2035 (the “Put Option”). On exercise of the Put Option or the Call Option, Kerry Dairy Ireland will become wholly owned by the Co-Op.

Milk Supply Agreement

With effect from completion of the Phase 1 Transaction, Kerry, Kerry Creameries Limited (a subsidiary of Kerry Dairy Holdings (Ireland) Limited) and the Co-Op have agreed that a fund of €50 million be established and funded by Kerry within Kerry Creameries Limited for the resolution of the ongoing dispute and related claims and arbitrations between Kerry Creameries Limited and certain milk suppliers in relation to the milk price paid and payable by Kerry Creameries Limited to certain milk suppliers pursuant to the Milk Supply Agreement which remains in place until 2026. Once the fund has been established the parties have agreed that Kerry will have no liability for any existing or future claims from Milk Suppliers under the Milk Supply Agreement. Separate communications with further detail in this regard will be issued by both the Co-Op and Kerry Creameries Limited to such milk suppliers.

Next Steps and Timing

An extraordinary general meeting of Kerry is expected to take place on Thursday 19 December 2024 for Kerry shareholders to vote on the Proposed Transaction. A notice of the extraordinary general meeting and shareholder circular with further details on the Proposed Transaction and proposed shareholder resolutions is expected to be published on or around Monday 25 November 2024.

About Kerry Group

Kerry Group is a world leading provider of taste and nutrition solutions for the food, beverage and pharmaceutical markets. It innovates with its customers to create great tasting products, with improved nutrition and functionality, while ensuring a better impact for the planet. Kerry’s leading consumer insights, global RD&A team of 1,200+ food scientists and local manufacturing footprint in 34 countries enables it to co-create with its customers across over 150 countries. Kerry is driven to be its customers most valued partner, creating a world of sustainable nutrition. For more information, visit www.kerry.com.

About Kerry Dairy Ireland

Kerry Dairy Ireland is a leading provider of dairy consumer products and dairy ingredients. The Dairy Consumer Product portfolio comprises cheese, cheese snacks, dairy snacks, dairy spreads and low-fat spreads as well as dairy alternative and hybrid ranges. The dairy consumer brands include brands such as Cheestrings, Dairygold, Golden Cow, Kerrymaid, Low Low amongst others, which can be found in chilled cabinets, principally in retailers across Ireland and the UK. The Dairy Ingredients products portfolio includes functional dairy proteins, nutritional dairy bases and cheese systems, along with the provision of agribusiness products and services in the southwest of Ireland.

Inside Information

This announcement contains inside information. The person responsible for arranging for the release of this announcement on behalf of Kerry Group plc is Ronan Deasy, Company Secretary. The time and date of this announcement is, at 6.30am Irish time, 12 November 2024.

Analyst and Investor Call

A presentation to analysts and investors will be broadcast live from 7.30am Irish time on the Investors section of Kerry Group plc’s website (www.kerry.com/investors).

Related slides will also be available on the website in the Investors section.

Advisers

Advisers to Kerry: Financial adviser: Goldman Sachs International, Sponsor: J & E Davy and Legal adviser: Arthur Cox LLP.

Advisers to the Co-Op: Financial adviser: EY and Legal adviser: McCann FitzGerald LLP.

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