

Chairman's Statement

Operating Results

In this my first year as non-executive Chairman, I am delighted to report on a period of significant strategic, operational and financial progress at your Company. The acquisitions of Matthew Clark and Bibendum in April 2018 transformed C&C into the largest last mile drinks distribution business across the UK and Ireland to complement our unique brand portfolio. These acquisitions and their subsequent operational recovery have helped propel the Group's financial performance with adjusted diluted earnings per share up 20.9% year-on-year. Basic earnings per share was down 9.3% on the prior year as the prior year benefitted from the recognition of €13.3m negative goodwill relating to the finalisation of the acquisition accounting of Admiral Taverns. Equally pleasing has been the strong performance of our branded portfolio and our brand-led distribution models in Scotland and Ireland. Overall total organic net revenues and operating profits for the Group were up 3.2% and 3.3% respectively.

The consumer continues to recognise both the provenance and value of our core brands while our super-premium and craft offerings continue to grow strongly. The drinks distribution platform we have now created across the UK and Ireland gives us unrivalled access into the on-trade drinks channel. Already our combination of scale, efficiency and product expertise is delivering service excellence and growing revenues and profitability for our on-trade customers and C&C alike. The momentum in our business and the multiple growth levers within our integrated model, underpin our updated medium term targets and give us the confidence to increase our final dividend by 6.5% to 9.98c, taking the total dividend for the year to 15.31c (FY2018: 14.58c).



People and Culture

The new Matthew Clark and Bibendum employees brought into the Group had experienced a period of significant uncertainty ahead of the acquisition. It is to their immense credit and through their hard work and professionalism that we have been able to make such significant progress in restoring those businesses to operational and financial health. In this they have been most ably led by the management teams brought in shortly after acquisition, supplemented by a highly talented and energetic project team from C&C.

The project is indicative of the strong corporate culture within C&C that sets us apart from our larger international peers. We are a local business at heart, imbedded in the local communities we serve. Our size and proximity to customers and markets allows us to spot opportunities (commercial and strategic) and move quickly and professionally to secure them. We look after our people, our suppliers and our customers and ultimately our broader stakeholder community. We have also striven hard through the year to ensure that the diversity and reward structures of our senior management teams are fully aligned to the interests of shareholders and our other stakeholders.

The health and wellbeing of employees is paramount. During the year, we undertook a number of programmes at our sites to raise employee awareness and engagement and encourage safety interventions by all staff. An Employee Assistance Programme (EAP) and health checks are now available in many areas and this is something we intend to continue to improve upon in FY2020.

The Board greatly appreciates the contribution of all our C&C colleagues in the significant strides we have made this year in improving both business performance and our workplace environment; and ultimately the creation of long term shareholder value.

Social Responsibility

Social responsibility has historically been at the heart of traditional drinks companies. There has always been an appreciation that we are integral to the local communities we serve. Our long term support for minimum unit pricing is indicative of our belief in the importance of acting responsibly in society's long term interests. We are equally passionate in our commitment to reduce the impact on the environment from our activities. During the year, our water usage reduced by 2.8% and CO₂ emissions fell by 4.3%. 100% of our products are sold in containers that can be recycled and 28% is already in returnable units. Our intention is to eliminate single-use plastic packaging from our beer and cider portfolio by March 2022.

Brexit continues to be a significant issue for us, particularly in Ireland and for our wine businesses in the UK. However, our contingency plans are well advanced and the scale and flexibility of our warehouse infrastructure and capital resources mean we can provide the surety of supply to our on-trade customers not afforded by our smaller distribution competitors. Our geographic spread of assets, businesses and markets gives us the flexibility to ensure that your business will not suffer material, long term operational costs whatever the outcome of the current political impasse.

Capital Allocation

The acquisitions of Matthew Clark and Bibendum in the year fulfilled our long held strategic ambition to strengthen our route-to-market capability across the UK. With positive working capital inflows from these businesses in the second half and the benefit of our receivables financing programme, the net cash cost to the Group of these acquisitions as at February 2019 was £76 million. Accordingly, our gearing levels are rapidly returning towards our medium term guidance of two times net debt to EBITDA.

Future capital allocation will be on building sustainable growth within our current operational span or in the absence of such opportunities to enhance shareholder returns through capital returns. During the past year we have spent €1.9 million buying back shares at an average price of €3.18 in line with our policy to minimise the dilutive impact of scrip dividends.

Board

A statement of our governance, principles and practice is provided on pages 52 to 54 and we are in any case committed to maintaining the highest standards.

The past year has seen considerable evolution in the Board of the Company reflecting the on-going strategic development of the business. On 5 July 2018, I succeeded Sir Brian Stewart as Non-executive Chairman of your Company. Sir Brian was an outstanding Non-executive Chairman, who guided the Company through challenging times, but always with a view to the longer term. We will all miss his unparalleled knowledge of international drinks, indeed, he is a hard act to follow.

Board refreshment and renewal is a continuous process to ensure we have the right balance of skills, knowledge, experience and diversity (including gender), particularly in light of the strategically important acquisition of Matthew Clark and Bibendum. During the year Joris Brams, Geoffrey Hemphill and Richard Holroyd stepped down as directors of the Company. I would like to take this opportunity to express my and the Board's appreciation for their inimitable contribution. Their perspectives were always invaluable. Following a detailed search, Jill Caseberry and Helen Pitcher were appointed as directors on 7 February 2019, and Jim Thompson was appointed as a Director on 1 March 2019.

During the year I led a thorough evaluation of the performance of the Board, its members and its principal committees. The evaluation process has led to a programme of regular training sessions for Directors and Board effectiveness will continue to be kept under review in accordance with corporate governance best practice.

Conclusion

This has been a transformational year for your Company, both in terms of strategic development and strong operational performance. The new financial year has started well and we look forward to the future with confidence.

Stewart Gilliland

Chairman