

# Strategic Report - Group Strategy

Our ambition is to be the pre-eminent integrated brands and drinks distribution business serving the UK and Ireland hospitality industry. Our brand and distribution assets provide: an unrivalled range of 'fabric', premium and third-party brands; enhanced customer service; market insight, value and national coverage.

## Strategic pillars

Invest and grow our portfolio of leading local, super-premium and craft beer and cider brands.

Strengthen our position as the No.1 drinks distribution business in the British Isles.

Capital allocation to enhance growth and shareholder returns.

## Medium term strategic goals

Brand and product investment to build value of key brands over the long-term.

Leverage key brand strength and market position to grow our portfolio of super-premium and craft brands.

Margin expansion at Matthew Clark and Bibendum through simplification and optimisation programmes.

Deliver unrivalled portfolio strength, value and service to the UK and Irish hospitality sectors.

Maintain medium term balance sheet leverage of circa 2.0x Net Debt/EBITDA.

Selective acquisitions to fuel sustainable, profitable growth and/or cash returns to shareholders.

## Financial characteristics

Cash generation

Balance Sheet strength

EPS growth

## Achievements during FY2019

FY2019 saw a strong performance across our branded portfolio in the UK and Ireland, with total C&C branded revenues +4.4%, outperforming the wider beer and cider sectors.

Our three core brands of Tennent's, Bulmers and Magners performed well, benefitting from the warm summer and continued investment in social media, sponsorship and product innovation. Organic net sales revenues for our three core brands were up 5.5% in the UK and Ireland in the period growing our share in a number of key markets.

We saw strong organic growth in our super-premium and craft portfolio with volumes +15%. Our super-premium and craft portfolio now contributes 157kHL of volumes (7.9% of Group branded revenues) and revenues of €23.1m. We strengthen our portfolio of premium international agency brands, securing the exclusive distribution rights on Tsingtao, China's leading beer brand, across the UK and Ireland.

In April 2018, we completed the acquisition of Matthew Clark and Bibendum, two of the UK's largest independent drinks distribution businesses. They had been operating under severe financial and operational stress for an extended period and stock availability, customer service levels, supplier relations and financial controls were in our view significantly below the appropriate level. During FY2019 our management teams at Matthew Clark and Bibendum have made excellent progress in stabilising these businesses, with operational performance and customer service now fully restored.

Our drinks distribution and wine businesses in Scotland and Ireland also performed strongly in the year, buoyed by the enhanced scale and expertise brought to the Group by the acquisitions of Matthew Clark and Bibendum. Revenues at these businesses were up +6.9% in the year.

The Group delivered strong free cash flow of €96.9m in the year and cash conversion of 80.8% of Adjusted EBITDA (before exceptional items), assisted by an improving working capital performance at Matthew Clark and Bibendum in the second half and the inclusion of Matthew Clark and Bibendum debtor book in the C&C Group receivables purchase programme.

Consideration paid for Matthew Clark and Bibendum was a nominal sum, plus the assumption of £102 million of third-party bank debt and the on-going working capital funding requirements of the Group. As at 28 February 2019 the net cash deployment by the C&C Group in respect of these acquisitions (taking into account the working capital improvements, trading and other cashflows in the second half and the debtor securitisation programme) was £76 million.

## Strategic priorities for FY2020

Our core strategic objective is to deliver earnings growth.

### EXISTING BUSINESSES

- to strengthen and grow our portfolios of core, super-premium and craft brands through select brand investment, innovation and leveraging our route-to-market platforms across the UK and Ireland;
- continue the operational and financial recovery at Matthew Clark and Bibendum through our simplification and optimisation programmes.

### CAPITAL ALLOCATION

- maintain the strong cash conversion characteristics of the business;
- after increased investment in FY2019 we will continue 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 and engagement in the community;
- continue to support minimum unit pricing legislation in Scotland and Ireland;
- achieving a continuous improvement in workforce health and safety.