

**THE OC&C GROCER  
INDEX 2016**



# **KILL OR CURE?**

OC&C's annual review of the UK's top 150 food and soft drink producers





**Can a post-  
Brexit UK  
provide fertile  
ground for  
growth?**



Alec Mattinson

## It had become a “picture of attrition” for The OC&C/Grocer Top 150 suppliers before the Brexit vote, with sales down for the first time since 2001 last year. Will the new landscape offer better growing conditions?

**A**s the saying goes, be careful what you wish for. UK food and drink producers under siege from stagnant growth, falling prices and tightening margins have been desperate for these grim market fundamentals to change. But the shock Brexit decision has shaken up the landscape for these suppliers so profoundly it will be years before the after-effects are fully understood.

To some Brexit can create a newly fertile land primed to generate growth. For others it has irresponsibly scorched the earth and set the fruits of labour back years. What does seem certain is that looking to past trends is no longer a reliable guide to the future.

That recent past is characterised by an ever-intensifying pressure on the UK food industry, with the big four hit by falling sales, and now suppliers following suit.

Across The OC&C/Grocer Top 150 last year revenues declined for the first time since 2001, dropping by 0.1% and ending a four-year period where manufacturers were outpacing retailers on growth.

With margins also close to historic lows even before the disorder unleashed by Brexit, the industry is “a little punch drunk from a number of tough years” according to OC&C head of consumer Will Hayllar.

“It’s a picture of attrition,” adds Premier Foods CEO Gavin Darby. “There has been an awful lot of cost cutting, rationalisation and factory closures, but it frankly hasn’t been enough. It’s not a sustainable environment.”

The culprit is sector-wide deflation. In the early summer The Grocer Price Index found year-on-year grocery prices down by more than 3%, driven by the intense supermarkets price war combined with a slump in commodity and input costs, meaning the Top 150 are having to hike sales volumes just to stay above water.

A cure of sorts may be around the corner. None of us know when Brexit will happen or what it will look like, but the collapse in the value of the pound, losing well over 10% against the euro and dollar since the vote, will mean food prices have to go up because of the higher relative cost of commodities and imported inputs. The Bank of England has forecast a rise in food inflation over the rest of 2016, with OC&C calculating a 15% sterling depreciation should lead to UK food inflation 5% higher than global food inflation. So if nothing

else, Brexit changes one of the key underlying dynamics causing such a headache for UK food producers. “The current health of the UK food and drink patient is pretty poor at the moment,” says Hayllar. “In some ways that bit of a jolt that Brexit creates does present an opportunity to try to reset things and benefit through that change.”

So the return of inflation is cause for celebration? Not so fast. Inflation is likely to cause as many problems as it cures.

A period of low commodity prices should theoretically have eased the pressure on suppliers’ bottom lines even if top-line growth were hard to come by. But across the Top 150 margins remained flat at 5.3%, well below the 6.4% long-term average, hovering near the low of 5% not seen since the mid-1980s.

With margins already wafer-thin, manufacturers have perilously little slack to absorb higher input costs, meaning they have to pass that inflation on to retailers and consumers. “I don’t think there is any doubt the food industry will see higher costs coming through to manufacturers, which we will need to recover,” says Bakkavor CFO Peter Gates. “We are already in discussions with customers and I would guess some of that will feed through to consumer prices.”

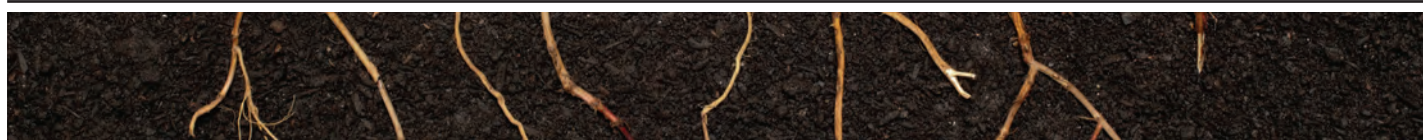
There is no guarantee, though, that consumers and retailers are willing to stump up for these higher costs. A previous period of commodity inflation in 2007/08 saw producers and retailers absorb just £0.1bn each of £5.7bn commodity inflation, but in the second wave, in 2012, producers were taking a £0.3bn hit and retailers a huge £1bn of the £3.3bn inflation.

Given the increased presence of the discounters and with consumers now used to lower prices, the industry may struggle to get consumers to foot the bill.

Hayllar notes that the benefits of deflation have wholly been passed on to consumers because of the aggressive channel environment and retailers may be reluctant to step away from that focus on price even with underlying inflation. “Retailers have seen more margin contraction than producers over recent times, but I think retailers will be trying to go slower in terms of accepting cost increases from their suppliers and holding back the tide as long as they can before passing it on to consumers,” Hayllar says.

Brexit’s effect on the wider economy factors into ➔

# oc&c top 150 index 2016



## THE TOP 150

RANK & YEAR CHANGE	COMPANY NAME & OWNERSHIP	ANNUALISED TURNOVER (£M)			OPERATING PROFIT (£M)			OPERATING MARGIN (%)			ROCE (%)		YEAR END	ACTIVITY		
		Current	Previous	y-o-y (%)	Current	Previous	y-o-y (%)	Current	Previous	ppt chg	Current	Previous				
1	▲+1	<b>Associated British Foods</b>	Listed	<b>3,188</b>	3,353	<b>-4.9</b>	<b>307</b>	324	<b>-5.3</b>	<b>9.6</b>	9.7	<b>-0.0</b>	<b>20.5</b>	<b>21.3</b>	09/15	B
2	▼-1	<b>Boparan Holdings</b>	Family	<b>3,149</b>	3,364	<b>-6.4</b>	<b>48</b>	49	<b>-2.7</b>	<b>1.5</b>	1.5	<b>0.1</b>	<b>10.9</b>	<b>18.4</b>	08/15	O/L
3	■-	<b>Arla Foods</b>	Sub	<b>2,991</b>	2,412	<b>24.0</b>	<b>-72</b>	-6	•	<b>-2.4</b>	-0.2	<b>-2.2</b>	<b>-7.9</b>	<b>-0.7</b>	12/14	O/L
4	■-	<b>Unilever UK</b>	Sub	<b>2,125</b>	2,109	<b>0.8</b>	<b>78</b>	116	<b>-33.0</b>	<b>3.7</b>	5.5	<b>-1.8</b>	<b>7.8</b>	<b>14.0</b>	12/14	B
5	■-	<b>Mondelez UK</b>	Sub	<b>1,836</b>	1,828	<b>0.5</b>	<b>46</b>	69	<b>-33.1</b>	<b>2.5</b>	3.8	<b>-1.3</b>	<b>1.8</b>	<b>4.3</b>	12/14	B
6	■-	<b>Coca-Cola Enterprises</b>	Sub	<b>1,758</b>	1,787	<b>-1.7</b>	<b>258</b>	233	<b>10.3</b>	<b>14.7</b>	13.1	<b>1.6</b>	<b>31.9</b>	<b>30.5</b>	12/14	B
7	■-	<b>Nestlé UK</b>	Sub	<b>1,726</b>	1,749	<b>-1.3</b>	<b>121</b>	137	<b>-11.2</b>	<b>7.0</b>	7.8	<b>-0.8</b>	<b>5.5</b>	<b>6.5</b>	12/14	B
8	■-	<b>Bakkavor</b>	Family	<b>1,712</b>	1,697	<b>0.9</b>	<b>111</b>	75	<b>49.5</b>	<b>6.5</b>	4.4	<b>2.1</b>	<b>52.6</b>	<b>34.9</b>	12/15	O/L
9	■-	<b>Princes</b>	Sub	<b>1,514</b>	1,618	<b>-6.4</b>	<b>59</b>	68	<b>-12.4</b>	<b>3.9</b>	4.2	<b>-0.3</b>	<b>9.3</b>	<b>11.3</b>	03/15	B
10	▲+5	<b>Moy Park</b>	Sub	<b>1,407</b>	1,388	<b>1.4</b>	<b>46</b>	48	<b>-4.3</b>	<b>3.3</b>	3.5	<b>-0.2</b>	<b>20.2</b>	<b>19.5</b>	12/15	O/L
11	▼-1	<b>Müller UK &amp; Ireland</b>	Sub	<b>1,396</b>	1,366	<b>2.2</b>	<b>78</b>	68	<b>13.5</b>	<b>5.6</b>	5.0	<b>0.6</b>	<b>34.5</b>	•	12/14	B
12	▼-1	<b>Britvic</b>	Listed	<b>1,304</b>	1,348	<b>-3.3</b>	<b>169</b>	157	<b>7.5</b>	<b>12.9</b>	11.6	<b>1.3</b>	<b>36.6</b>	<b>43.4</b>	09/15	B
13	▲+1	<b>Greencore Conv Foods</b>	Listed	<b>1,294</b>	1,217	<b>6.3</b>	<b>82</b>	73	<b>11.5</b>	<b>6.3</b>	6.0	<b>0.3</b>	<b>41.3</b>	<b>44.5</b>	09/15	O/L
14	▼-1	<b>Wm Morrison Produce</b>	Sub	<b>1,268</b>	1,262	<b>0.5</b>	<b>44</b>	97	<b>-55.2</b>	<b>3.4</b>	7.7	<b>-4.3</b>	<b>10.6</b>	<b>14.5</b>	02/15	O/L
15	▲+2	<b>Mars UK</b>	Sub	<b>1,155</b>	1,158	<b>-0.2</b>	<b>138</b>	137	<b>0.5</b>	<b>11.9</b>	11.8	<b>0.1</b>	<b>17.4</b>	<b>21.6</b>	12/14	B
16	■-	<b>Tulip</b>	Sub	<b>1,153</b>	1,173	<b>-1.7</b>	<b>22</b>	30	<b>-25.3</b>	<b>1.9</b>	2.5	<b>-0.6</b>	<b>4.8</b>	<b>6.1</b>	09/15	O/L
17	▲+1	<b>Hilton Food Group</b>	Listed	<b>1,077</b>	1,102	<b>-2.3</b>	<b>28</b>	26	<b>8.1</b>	<b>2.6</b>	2.4	<b>0.3</b>	<b>29.5</b>	<b>30.1</b>	01/16	O/L
18	▲+2	<b>Cranswick</b>	Listed	<b>1,067</b>	1,003	<b>6.3</b>	<b>65</b>	54	<b>20.1</b>	<b>6.1</b>	5.4	<b>0.7</b>	<b>28.0</b>	<b>24.8</b>	03/16	O/L
19	▼-7	<b>Dairy Crest Group</b>	Listed	<b>949</b>	1,330	<b>-28.7</b>	<b>3</b>	19	<b>-85.2</b>	<b>0.3</b>	1.4	<b>-1.1</b>	<b>0.6</b>	<b>3.8</b>	03/16	O/L
20	▼-1	<b>United Biscuits</b>	Sub	<b>892</b>	909	<b>-1.9</b>	<b>54</b>	108	<b>-49.9</b>	<b>6.1</b>	11.9	<b>-5.8</b>	<b>4.1</b>	<b>15.4</b>	01/15	B
21	▲+3	<b>Samworth Brothers</b>	Family	<b>839</b>	794	<b>5.8</b>	<b>40</b>	34	<b>17.2</b>	<b>4.7</b>	4.3	<b>0.5</b>	<b>14.4</b>	<b>12.3</b>	12/14	O/L
22	NEW	<b>HJ Heinz Foods</b>	Sub	<b>833</b>	907	<b>-8.2</b>	<b>152</b>	161	<b>-5.4</b>	<b>18.3</b>	17.7	<b>0.5</b>	<b>49.6</b>	<b>63.0</b>	01/16	B
23	▲+2	<b>Dunbia</b>	Family	<b>831</b>	768	<b>8.2</b>	<b>10</b>	7	<b>39.2</b>	<b>1.2</b>	0.9	<b>0.3</b>	<b>6.7</b>	<b>6.0</b>	03/15	B
24	▼-1	<b>Kellogg's</b>	Sub	<b>792</b>	798	<b>-0.7</b>	<b>16</b>	20	<b>-18.7</b>	<b>2.0</b>	2.5	<b>-0.4</b>	<b>16.8</b>	<b>24.1</b>	01/15	B
25	▼-3	<b>Premier Foods</b>	Listed	<b>774</b>	908	<b>-14.8</b>	<b>70</b>	63	<b>10.7</b>	<b>9.0</b>	6.9	<b>2.1</b>	<b>11.3</b>	<b>13.7</b>	04/16	B
26	▲+3	<b>Farmers Boy</b>	Sub	<b>673</b>	588	<b>14.4</b>	<b>62</b>	48	<b>29.3</b>	<b>9.3</b>	8.2	<b>1.1</b>	<b>15.3</b>	<b>17.8</b>	02/15	O/L
27	▼-1	<b>Woodhead Bros Meat Co</b>	Sub	<b>645</b>	621	<b>3.9</b>	<b>56</b>	20	<b>173.5</b>	<b>8.6</b>	3.3	<b>5.4</b>	<b>22.0</b>	<b>9.8</b>	02/15	O/L
28	▲+2	<b>Fletcher Bay Group</b>	Family	<b>632</b>	580	<b>9.0</b>	<b>13</b>	11	<b>17.2</b>	<b>2.1</b>	1.9	<b>0.1</b>	<b>18.8</b>	<b>21.6</b>	12/15	O/L
29	▲+3	<b>James Finlay</b>	Sub	<b>605</b>	561	<b>7.8</b>	<b>14</b>	9	<b>61.2</b>	<b>2.3</b>	1.6	<b>0.8</b>	<b>3.2</b>	<b>2.8</b>	12/15	O/L
30	▼-2	<b>Young's Seafood</b>	PE	<b>588</b>	596	<b>-1.3</b>	<b>21</b>	24	<b>-14.2</b>	<b>3.5</b>	4.1	<b>-0.5</b>	<b>6.5</b>	<b>23.5</b>	09/15	B
31	■-	<b>Noble Foods</b>	Family	<b>577</b>	646	<b>-10.6</b>	<b>20</b>	29	<b>-30.1</b>	<b>3.5</b>	4.5	<b>-1.0</b>	<b>15.6</b>	<b>24.1</b>	09/14	O/L
32	NEW	<b>Hovis</b>	PE	<b>567</b>	•	•	<b>12</b>	•	•	<b>2.1</b>	•	•	•	•	12/14	B
33	■-	<b>Warburtons</b>	Family	<b>553</b>	549	<b>0.7</b>	<b>36</b>	77	<b>-53.3</b>	<b>6.5</b>	14.0	<b>-7.5</b>	<b>8.7</b>	<b>19.3</b>	09/15	B
34	▼-7	<b>Kerry Foods</b>	Sub	<b>543</b>	607	<b>-10.6</b>	<b>10</b>	-18	•	<b>1.8</b>	-3.0	<b>4.9</b>	<b>1.7</b>	<b>-10.2</b>	12/14	B
35	▲+5	<b>Faccenda Group</b>	Family	<b>523</b>	419	<b>24.9</b>	<b>12</b>	12	<b>-0.6</b>	<b>2.3</b>	2.9	<b>-0.6</b>	<b>10.0</b>	<b>15.3</b>	05/15	O/L
36	▲+1	<b>McCain Foods (GB)</b>	Sub	<b>440</b>	445	<b>-1.1</b>	<b>58</b>	54	<b>8.3</b>	<b>13.2</b>	12.1	<b>1.1</b>	<b>38.9</b>	<b>33.1</b>	06/15	B
37	▲+9	<b>Lucozade Ribena</b>	Sub	<b>425</b>	489	<b>-13.1</b>	<b>87</b>	29	<b>198.5</b>	<b>20.5</b>	6.0	<b>14.5</b>	<b>41.4</b>	•	12/15	B
38	▼-3	<b>Sun Valley Foods</b>	Sub	<b>419</b>	414	<b>1.1</b>	<b>5</b>	0	<b>4471.1</b>	<b>1.2</b>	0.0	<b>1.2</b>	<b>5.4</b>	<b>0.1</b>	05/15	O/L
39	▼-3	<b>Birds Eye</b>	Sub	<b>415</b>	446	<b>-6.9</b>	<b>16</b>	66	<b>-76.3</b>	<b>3.8</b>	14.8	<b>-11.1</b>	<b>9.0</b>	<b>38.1</b>	12/15	B
40	▼-6	<b>Karro Food</b>	PE	<b>410</b>	508	<b>-19.4</b>	<b>9</b>	-9	•	<b>2.2</b>	-1.7	<b>3.9</b>	<b>5.7</b>	<b>-5.0</b>	12/15	O/L
41	■-	<b>G's Group Holdings</b>	Family	<b>403</b>	398	<b>1.1</b>	<b>9</b>	8	<b>20.8</b>	<b>2.3</b>	1.9	<b>0.4</b>	<b>8.4</b>	<b>7.5</b>	05/15	O/L
42	NEW	<b>Hain Celestial Group</b>	Sub	<b>392</b>	388	<b>0.9</b>	<b>37</b>	40	<b>-7.4</b>	<b>9.5</b>	10.3	<b>-0.8</b>	<b>17.7</b>	<b>22.2</b>	06/15	B
43	▼-1	<b>Ornua Foods</b>	Sub	<b>391</b>	369	<b>5.9</b>	<b>4</b>	3	<b>16.7</b>	<b>0.9</b>	0.8	<b>0.1</b>	<b>3.4</b>	<b>4.8</b>	12/14	B
44	▼-6	<b>Fresca Group</b>	Family	<b>380</b>	428	<b>-11.1</b>	<b>3</b>	6	<b>-57.8</b>	<b>0.7</b>	1.4	<b>-0.7</b>	<b>4.0</b>	<b>10.3</b>	04/15	O/L
45	▼-2	<b>Weetabix</b>	Sub	<b>353</b>	367	<b>-3.9</b>	<b>104</b>	112	<b>-7.6</b>	<b>29.4</b>	30.5	<b>-1.2</b>	<b>16.1</b>	<b>20.0</b>	12/14	B
46	▲+7	<b>Dale Farm</b>	Sub	<b>320</b>	293	<b>9.3</b>	<b>3</b>	5	<b>-49.6</b>	<b>0.8</b>	1.8	<b>-1.0</b>	<b>2.3</b>	<b>5.5</b>	03/15	O/L
47	▼-3	<b>Burton's Biscuit Co</b>	PE	<b>310</b>	337	<b>-8.0</b>	<b>20</b>	32	<b>-38.8</b>	<b>6.3</b>	9.5	<b>-3.2</b>	<b>14.7</b>	<b>18.4</b>	01/15	B
48	■-	<b>JW Galloway</b>	Family	<b>309</b>	310	<b>-0.3</b>	<b>5</b>	-2	•	<b>1.5</b>	-0.7	<b>2.2</b>	<b>9.4</b>	<b>-4.2</b>	03/15	O/L
49	▼-2	<b>LDH (La Doria)</b>	Sub	<b>309</b>	322	<b>-4.1</b>	<b>12</b>	12	<b>-5.3</b>	<b>3.8</b>	3.8	<b>-0.1</b>	<b>18.7</b>	<b>21.0</b>	12/14	O/L
50	▼-5	<b>Linden Foods</b>	Sub	<b>308</b>	336	<b>-8.4</b>	<b>3</b>	-1	•	<b>1.0</b>	-0.2	<b>1.2</b>	<b>8.7</b>	<b>-2.0</b>	09/15	O/L

**Methodology:** The Top 150 Food & Drink Suppliers survey is produced by OC&C, a consultancy offering strategic advice to top management on the most complex issues in FMCG. In some cases (eg PepsiCo) it has not been possible to provide fully consolidated group accounts. Some companies include returns from international (eg ABF, Hilton Food Group) and non-food (eg Unilever) operations where it was not possible to separate based on accounts. **Ownership:** Listed (publicly listed), PE (private equity), Sub (subsidiary of a larger group), Family (family/closely owned). Main activity: B (branded), O/L (own label). **Notes:** 16 Tulip: part of Danish Crown but results not consolidated in Danish Crown UK accounts; 27 Woodhead Bros: trading as Neerock; 76 Innocent: trading as Fresh Trading; 90 Haribo: trading as Dunhills. To find out more about the Top 150 study contact OC&C on 020 7010 8000 or visit [ocstrategy.com](http://ocstrategy.com)



⊕ this calculation too – a booming Britain with GDP growth and wage inflation should take higher prices in its stride, but food inflation married to stagnant wage growth in a weaker economy is a less rosy picture.

“Inflation is not the answer,” says Darby. “If the industry ends up at a status quo after absorbing those input cost increases, that will be a good result.”

Quorn CEO Kevin Brennan agrees: “It’s very disruptive for a business to have to continually put prices up. If there is modest inflation, we try and find ways to deal with it or absorb it.”

Where there seems more agreement is in believing that growth is more likely to be achieved outside the UK than domestically. The previously strong pound hit export growth last year – across the Top 150 international sales edged down by 0.1%, but that was considerably better than the 3.3% dip in UK revenues. The share of revenues from outside the UK also rose from 13.7% in 2014 to 14.4% in 2015 as suppliers continued the long-term trend of internationalising their businesses.

The Brexit collapse in the pound could be a boon for exporters, whether building business outside the EU or selling comparatively cheaper goods into EU markets.

But the falling pound will only be giving a shove to what is already a rolling bandwagon when it comes to UK suppliers broadening their horizons. That trend is particularly obvious when looking at recent M&A activity. In 2015 Top 150 M&A rose to the highest level since 2009 at £3.9bn, largely driven by Nomad’s £1.9bn purchase of Iglo Group.

### M&A recovery driven from overseas

This long-term M&A recovery has been primarily driven by overseas investment, with UK buyers only accounting for 4% of deal value in 2015 and 18% in 2014. A host of deals follow the pattern of a foreign trade buyer snapping up a UK asset, usually with an eye to expand it into other international markets – Monde Nissin’s swoop for Quorn, Lotus Bakeries buying Urban Fresh Foods and Natural Balance Foods, and more recently Amplify’s deal for Tyrrells all prime examples.

“There’s a challenge for UK-based corporates here,” Hayllar says. “For all those interesting growth brands the successful bidder has been an overseas buyer, perhaps because they have more ability to drive international growth, or stronger balance sheets.”

What top-line growth there has been among the Top 150 has largely been driven by M&A from expanding into areas of growth. “We have been careful to invest in pockets of bakery products that are in growth, like artisan breads, free-from products and out-of-home eating,” says John Duffy, CEO of Finsbury Foods, which led the Top 150 with 45.8% growth.

But M&A activity ground to a halt in the first half of 2016, just £0.8bn across five deals. “There are not many accessible scale opportunities in the UK at the moment and the overall trading environment means a lot of companies don’t regard it as a good moment to acquire in the UK,” says Rothschild global head of consumer Akeel Sachak.

However, the currency devaluation has clearly led to cheaper valuations and the UK remains one of the best jurisdictions in the world to foster small, innovative brands. Once again the Top 150’s smaller brands ⊕



## Top performers

### Bakkavor

● **Turnover:** £1.712bn (+0.9%) ● **Operating margin:** 6.5% (+2.1ppts)  
The own-label chilled foods giant has shed its unprofitable fresh fruits factory and instead invested in automation and new routes to market. Performance has been boosted by strong growth in the US and Asia.

### Müller

● **Turnover:** £1.396bn (+2.2%) ● **Operating margin:** 5.6% (+0.6ppts)  
Muller has transformed its scale in the UK with the acquisition of Dairy Crest’s milk business and previously successfully integrated Robert Wiseman with cost cutting boosting margins. Investment in new products have also improved profitability and maintained volumes.

### Faccenda

● **Turnover:** £523m (+24.9%) ● **Operating margin:** 2.3% (–0.6ppts)  
Almost half Faccenda’s £100m revenue growth is owed to its 2014 acquisition of Cherry Valley Foods. Strong organic growth has included successfully embedding its 2012 Cranberry Foods turkey acquisition, while investment at Telford is building its convenience range.

### Finsbury Food Group

● **Turnover:** £257m (+45.8%) ● **Operating margin:** 3.7% (+0.1ppts)  
The highest growth rate in the entire Top 150 has been driven by strategic acquisitions, with deals for Fletchers Bakeries and Johnstone’s Just Desserts generating rapid growth.

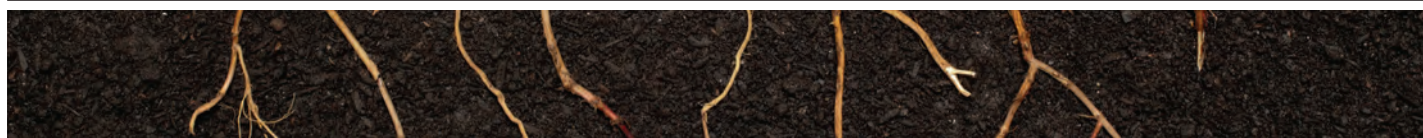
### Dr Oetker

● **Turnover:** £155m (+4.6%) ● **Operating margin:** 10.9% (+3.2ppts)  
Dr Oetker drove strong margin increases as it fought own label, discounters and heavy promo activity. Margin was boosted by accounting adjustments on previous acquisitions, but it has invested in advertising to drive pizza sales and shed unprofitable product lines.

### Lindt & Sprüngli

● **Turnover:** £122m (+14.7%) ● **Operating margin:** 7.8% (–2.1ppts)  
Double-digit sales growth has been driven by strong performance of key brands, backed by investment in marketing. Sales were also boosted by range innovations such as the Hello lifestyle range.

# oc&c top 150 index 2016



## THE TOP 150

RANK & YEAR CHANGE	COMPANY NAME & OWNERSHIP		ANNUALISED TURNOVER (£M)			OPERATING PROFIT (£M)			OPERATING MARGIN (%)			ROCE (%)		YEAR END	ACTIVITY	
			Current	Previous	y-o-y (%)	Current	Previous	y-o-y (%)	Current	Previous	ppt chg	Current	Previous			
51	▲+9	Ferrero UK	Sub	306	260	17.8	-12	-3	•	-4.0	-1.3	-2.7	-35.2	-11.5	08/15	B
52	▲+11	KP Snacks	Sub	299	266	12.6	28	28	0.2	9.4	10.6	-1.2	47.7	•	01/15	B
53	▲+3	Forza Foods	Sub	297	277	7.2	23	18	29.6	7.9	6.5	1.4	57.2	49.7	01/15	O/L
54	▲+8	Adelie Foods	PE	295	256	15.0	14	10	39.0	4.9	4.0	0.8	41.5	42.7	03/15	O/L
55	NEW	Refresco Beverages	Sub	294	301	-2.1	5	4	24.7	1.8	1.4	0.4	6.3	5.2	12/14	O/L
56	▼-5	Faughan	Family	289	299	-3.2	-4	-1	•	-1.3	-0.3	-1.0	-6.3	-1.8	12/14	O/L
57	■-	Yeo Valley Group	Family	285	276	3.3	7	4	66.2	2.4	1.5	0.9	13.5	9.0	05/15	B
58	▼-6	Cott Beverages	Sub	284	298	-4.7	13	25	-46.2	4.7	8.4	-3.6	3.2	7.3	01/15	O/L
59	▼-9	The First Milk Cheese Co	Family	282	307	-8.0	-12	-4	•	-4.3	-1.3	-3.0	-10.4	-3.1	03/15	O/L
60	▼-11	Bernard Matthews Holdgs	PE	277	308	-9.8	-2	-5	•	-0.6	-1.6	1.1	-1.4	-4.2	06/15	B
61	▼-3	William Jackson & Son	Family	277	269	2.8	20	18	11.9	7.3	6.7	0.6	21.0	20.2	04/15	O/L
62	▼-1	Walkers Snack Foods	Sub	276	257	7.3	24	27	-12.2	8.5	10.4	-1.9	8.8	6.8	12/14	B
63	▼-9	Fyffes Group	Listed	274	287	-4.8	1	1	33.4	0.3	0.2	0.1	2.3	1.5	12/14	O/L
64	▼-9	Icelandic Group UK	Sub	259	279	-7.1	-1	3	•	-0.5	1.0	-1.5	-1.6	5.4	12/14	O/L
65	▼-1	Wrigley Co	Sub	259	246	5.2	62	62	-0.7	23.9	25.3	-1.4	119.9	110.3	12/14	B
66	▲+16	Finsbury Food Group	Listed	257	176	45.8	10	6	51.2	3.7	3.6	0.1	25.0	31.8	06/15	B
67	▼-8	AG Barr	Listed	255	262	-2.5	43	39	10.9	16.8	14.8	2.0	36.0	34.3	01/16	B
68	▲+3	CSM (UK)	Sub	246	•	•	15	•	•	6.1	•	•	25.6	•	12/14	B
69	▼-2	General Mills UK	Sub	246	235	4.4	4	3	30.6	1.6	1.3	0.3	225.7	8.5	05/15	B
70	▲+3	Oscar Mayer	Family	241	218	10.8	17	8	112.8	7.2	3.7	3.4	38.7	21.7	03/15	O/L
71	▲+4	Berry Gardens	Family	237	207	14.5	4	3	25.7	1.8	1.6	0.2	29.1	31.3	12/14	O/L
72	▼-4	Red Bull Co	Sub	236	233	1.5	21	16	30.7	8.7	6.8	1.9	93.5	77.8	12/14	B
73	▲+17	Baxters Food Group	Family	227	161	40.9	2	7	-73.0	0.9	4.6	-3.7	1.7	8.2	05/15	B
74	▼-4	KTC (Edibles)	Family	225	226	-0.2	1	1	-10.4	0.6	0.6	-0.1	3.2	3.6	12/14	O/L
75	▼-3	McCormick UK	Sub	221	215	2.7	11	11	-3.5	5.0	5.3	-0.3	9.5	11.0	11/14	B
76	▼-2	Innocent	Sub	219	216	1.6	1	1	-60.2	0.3	0.7	-0.4	0.8	2.7	12/14	B
77	▼-1	John West Foods	Sub	208	204	2.2	2	2	12.9	1.1	1.0	0.1	2.9	2.4	12/14	B
78	▼-12	Danish Crown UK	Sub	205	237	-13.7	4	2	43.5	1.7	1.0	0.7	10.6	8.0	09/15	O/L
79	■-	Lactalis McLelland	Sub	202	186	8.5	1	7	-92.6	0.3	3.8	-3.5	0.3	4.5	12/14	O/L
80	▲+11	R&R Ice Cream UK	PE	202	161	25.3	38	19	101.4	18.7	11.6	7.1	70.5	33.7	12/14	O/L
81	▼-12	Danone	Sub	201	224	-10.2	23	24	-5.7	11.4	10.9	0.5	62.7	80.9	12/15	B
82	▲+28	Intl P'ment & Logistics	Sub	198	138	44.0	14	13	6.3	6.8	9.3	-2.4	31.7	13.3	01/15	O/L
83	▼-6	Noon Products	Sub	198	200	-0.8	9	5	66.4	4.4	2.6	1.8	2.0	13.7	12/14	O/L
84	■-	Produce World	Family	198	173	14.8	0	4	-89.6	0.2	2.3	-2.1	2.2	22.7	06/15	O/L
85	▲+9	Danone Waters (UK & Irel)	Sub	190	183	3.6	10	4	124.3	5.3	2.4	2.8	36.8	15.5	12/15	B
86	▼-6	Winterbotham Darby & Co	PE	188	185	1.6	10	9	3.0	5.1	5.0	0.1	52.0	58.1	03/15	O/L
87	▼-6	Tayto Group	Family	175	180	-2.7	13	9	55.4	7.7	4.8	2.9	16.6	9.2	06/15	O/L
88	▼-23	Wellness Foods	PE	170	239	-29.0	11	18	-37.5	6.6	7.5	-0.9	22.9	30.3	12/14	B
89	▼-6	Dovecot Park	Family	167	173	-3.6	3	2	13.9	1.6	1.4	0.3	11.5	9.9	10/15	O/L
90	▲+3	Haribo	Sub	165	158	4.5	30	25	18.6	18.1	15.9	2.1	18.7	14.7	12/15	B
91	▲+6	Bettys & Taylors Group	Family	163	156	4.8	10	11	-11.5	5.9	7.0	-1.1	8.9	10.5	10/15	B
92	▲+22	Country Style Foods	Family	160	134	19.3	7	4	100.3	4.5	2.7	1.8	25.3	14.7	04/15	O/L
93	▲+6	Pork Farms	PE	159	153	3.8	2	3	-47.8	1.0	2.0	-1.0	5.6	9.2	03/15	O/L
94	▼-9	Tangerine Confectionery	PE	158	170	-6.7	9	9	-0.0	5.4	5.0	0.4	11.2	10.9	12/14	B
95	▲+3	Whitworths	PE	158	155	2.3	11	8	43.2	7.2	5.2	2.1	18.1	13.8	05/15	O/L
96	▼-4	Direct Table Foods	Sub	157	159	-1.7	6	7	-7.8	4.0	4.2	-0.3	14.5	17.0	09/15	O/L
97	▲+5	Dr Oetker (UK)	Sub	155	148	4.6	17	11	48.7	10.9	7.6	3.2	21.7	17.4	12/14	B
98	▲+2	JBS UK	Sub	152	148	2.6	1	3	-49.6	1.0	1.9	-1.0	8.3	21.6	12/15	O/L
99	▼-3	Lactalis Nestlé Ch Dairy Co	Family	152	158	-3.6	0	2	-83.4	0.2	1.3	-1.0	1.7	7.5	12/14	B
100	▲+5	Browns Food Group	Family	152	145	4.4	8	7	8.3	5.0	4.8	0.2	11.3	11.3	12/14	O/L

**Methodology:** The Top 150 Food & Drink Suppliers survey is produced by OC&C, a consultancy offering strategic advice to top management on the most complex issues in FMCG. In some cases (eg PepsiCo) it has not been possible to provide fully consolidated group accounts. Some companies include returns from international (eg ABF, Hilton Food Group) and non-food (eg Unilever) operations where it was not possible to separate based on accounts. **Ownership:** Listed (publicly listed), PE (private equity), Sub (subsidiary of a larger group), Family (family/closely owned). Main activity: B (branded), O/L (own label). **Notes:** 16 Tulip: part of Danish Crown but results not consolidated in Danish Crown UK accounts; 27 Woodhead Bros: trading as Neerock; 76 Innocent: trading as Fresh Trading; 90 Haribo: trading as Dunhills. To find out more about the Top 150 study contact OC&C on 020 7010 8000 or visit [ocstrategy.com](http://ocstrategy.com)



☞ (under £500m sales) outstripped growth rates of larger brands, growing by 1.2% against -2.5%.

Brands bubbling under the Top 150 are likely to remain attractive to foreign buyers and are often adept at finding growth in niche areas.

The post-Brexit fall in sterling could also be a trigger for growth closer to home. UK food only accounts for 55% of total food consumed and the higher prices of imports could provide opportunities for UK suppliers to win share from overseas manufacturers.

OC&C highlights the pork industry, where Aldi, Tesco and Lidl all import over 40% of facings and Asda imports over 60% because of cheaper imports. The falling pound should reduce that differential and throw up opportunities to dislodge overseas suppliers.

### The impact of Brexit

The elephant in the room in terms of cross-border trade is just how the UK will operate outside the EU, but these issues will take so long to play through that the impacts remain theoretical rather than material. Rothschild's Sachak notes the EU itself could look very different by the time the Brexit actually takes effect. "We have no idea what kind of EU we will be confronted with in a couple of years with upcoming French and German elections. It's far from clear whether we will or won't be part of a single market."

When Brexit does come, the food supply chain will inevitably be a crucial battleground given the reliance of UK farming on EU subsidies. Average farm profits were driven 56% by subsidies in 2014/15, compared with 41% in 2011/12, and if these subsidies aren't continued in some form the impact on the supply chain could be stark. "Subsidies help make those farms viable," says Hayllar. "If agricultural subsidies weren't continued at a similar level, that implies pushing up input prices in the UK."

Another major – though currently still theoretical – impact of Brexit is on the supply and cost of labour.

Food production is the UK industry most dependent on migrant workers, with a 31% share of the workforce.

Even before any impact from curtailing EU freedom of movement and the introduction of the national living wage, labour costs are coming under pressure in the Top 150. Total headcount remained static at 320k (own label up 2%, branded down 3%), but manufacturers saw a 3% rise in average per-head staff costs in 2015.

Flat overall revenues have meant labour productivity only improved in large branded suppliers on a revenue per head basis, deteriorating slightly in the three other segments. Some 68 companies saw improvements in productivity, but 81 saw it drop during the year.

Recent FDF figures suggested a more positive current picture for labour productivity compared with other UK industries, but labour has the potential to become a ticking time bomb for food producers.

"Labour is really important as an outcome for Brexit negotiations," says Faccenda CEO Andy Dawkins. "Our average length of employment is over six years, even though our workforce is 50% migrant labour, and we're very keen these people get looked after."

Longer-term it seems unlikely labour will become cheaper and Hayllar believes the issue should lead to a "significant uplift" in investment in automation to ☞



## M&A

### Iglo Group

● Buyer: Nomad Foods ● Value: £1.88bn

Nomad shook up the frozen sector in 2015 as it reeled in Birds Eye owner Iglo. It went on to snap up Findus and is looking to keep buying to become a global food group, but after missing out on Quorn to Monde Nissin (see below) all has been quiet.

### Moy Park Group

● Buyer: JBS Value: £950m

The world's largest meat packer continued its massive overseas expansion with UK poultry supplier Moy Park. The deal for the UK's largest poultry producer gave JBS access to healthy markets in Britain as well as providing a launch pad into Europe.

### Quorn Foods

● Buyer: Monde Nissin ● Value: £550m

A hotly contested auction saw Exponent Private Equity more than double its investment in Quorn after four years of ownership. The brand has been able to bring double-digit growth into the category in the UK as health-conscious consumers look to meat alternatives. Monde Nissin plans to open up new markets for Quorn across Asia, as well as focus on further expansion in the US and across Europe.

### Thorntons

● Buyer: Ferrero ● Value: £131m

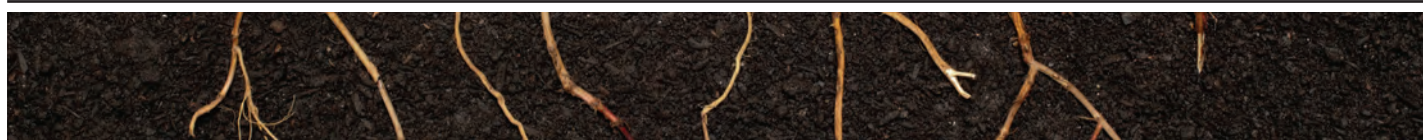
Another British chocolate brand fell into the hands of an overseas buyer in 2015 as the Italian maker of Kinder and Ferrero Rocher decided it could get the struggling business back on its feet. The deal – 'Project Cinderella' – was shrouded in secrecy with CEO Giovanni Ferrero giving little away in terms of its plans.

### Urban Fresh Foods

● Buyer: Lotus Bakeries ● Value: £70m

The Biscoff producer dug deep twice last year to capture two in-demand snack producers. After paying a 14x multiple of expected 2016 profits for the Bear and Urban Fruit parent, the Belgian group snapped up Nakd and Trek bar business Natural Balance Foods for £60m. Lotus hopes to use its European leverage and buying power to roll out the fast-growing brands across the Continent and beyond.

# oc&c top 150 index 2016



## THE TOP 150

RANK & YEAR CHANGE	COMPANY NAME & OWNERSHIP		ANNUALISED TURNOVER (£M)			OPERATING PROFIT (£M)			OPERATING MARGIN (%)			ROCE (%)		YEAR END	ACTIVITY	
			Current	Previous	y-o-y (%)	Current	Previous	y-o-y (%)	Current	Previous	ppt chg	Current	Previous			
101	▲+7	Quorn Foods	PE	150	141	6.7	26	18	47.5	17.5	12.6	4.8	25.6	17.1	12/14	B
102	▼-13	Tata Global Beverages	Sub	147	161	-9.0	16	15	5.4	10.9	9.5	1.5	7.8	7.8	03/15	B
103	▲+10	Zetar	Sub	146	136	7.7	5	5	17.3	3.7	3.4	0.3	9.9	10.4	12/14	O/L
104	▲+2	Fayrefield Foods	Family	145	142	2.2	1	1	-23.4	0.8	1.1	-0.3	4.3	6.5	12/14	B
105	▲+2	Dairy Produce Packers	Sub	144	141	2.0	-0	0	*	-0.1	0.3	-0.4	-0.3	0.6	12/14	O/L
106	▼-3	Yoplait UK	Sub	143	148	-3.5	25	19	33.0	17.6	12.8	4.8	65.2	55.1	04/15	B
107	▲+18	Park Cakes	PE	142	113	25.9	1	2	-16.5	1.0	1.4	-0.5	10.8	8.2	03/15	O/L
108	▲+3	Walkers Shortbread	Family	141	137	2.7	11	14	-21.1	7.9	10.2	-2.4	14.2	19.3	12/14	B
109	▼-21	QV Foods	Family	139	164	-14.7	6	7	-23.4	4.0	4.5	-0.5	54.1	55.6	05/15	O/L
110	▼-9	Symington's	PE	139	149	-6.6	8	10	-11.6	6.1	6.5	-0.3	34.6	51.8	03/15	B
111	▼-2	Kober	Family	139	140	-0.9	2	2	3.2	1.6	1.5	0.1	36.0	30.9	01/15	O/L
112	▲+3	CP Foods (UK)	Sub	137	133	3.2	1	2	-49.9	0.9	1.9	-1.0	2.4	3.8	12/14	O/L
113	▲+8	Natures Way Foods	Family	136	122	11.8	6	5	16.0	4.3	4.1	0.2	18.2	17.2	03/15	O/L
114	▼-28	Vitacress	Sub	136	170	-20.1	1	0	29.2	0.5	0.3	0.2	1.5	0.8	12/15	O/L
115	▼-3	Lantmannen Unibake UK	Family	135	136	-0.7	5	-1	*	3.6	-0.8	4.3	8.4	-1.3	12/14	B
116	▼-29	Greenvale	Listed	135	169	-20.5	6	8	-25.6	4.3	4.6	-0.3	13.4	22.6	06/15	O/L
117	▼-1	Scottish Sea Farms	Sub	133	131	1.5	23	24	-2.3	17.5	18.1	-0.7	29.7	33.8	12/14	O/L
118	▲+13	Alpro UK	Sub	130	107	21.6	6	5	23.3	4.3	4.2	0.1	13.7	14.4	12/15	B
119	▼-2	Banham Poultry	Family	124	128	-2.7	0	3	-91.9	0.2	2.1	-2.0	2.4	32.4	10/15	O/L
120	▲+10	Lyons Seafood	Sub	123	107	14.3	9	6	50.5	7.0	5.3	1.7	27.0	18.8	06/15	B
121	▼-1	SH Pratt & Co	Family	122	123	-0.8	2	1	99.0	1.4	0.7	0.7	15.3	8.5	10/15	O/L
122	▲+11	Lindt & Sprüngli (UK)	Sub	121	106	14.7	9	10	-9.4	7.8	9.9	-2.1	28.7	60.8	12/14	B
123	▲+3	Stateside Foods	Sub	118	111	6.9	11	3	238.2	9.1	2.9	6.2	27.0	8.4	02/15	O/L
124	▼-20	Albert Bartlett & Sons	Family	117	146	-19.7	1	11	-87.9	1.1	7.3	-6.2	2.1	15.3	05/15	O/L
125	▼-7	Randall Parker Foods	Family	116	126	-8.2	2	1	140.8	1.7	0.7	1.1	21.3	6.1	09/15	O/L
126	▼-3	Mizkan	Sub	113	119	-4.9	-9	-5	*	-7.7	-4.2	-3.5	-13.5	-7.2	02/15	B
127	▲+10	Barfoots of Botley	Family	110	99	11.5	8	3	173.0	6.9	2.8	4.1	45.2	18.6	12/14	O/L
128	▲+8	Kolak Snack Foods	Sub	110	101	8.4	10	8	26.2	9.3	8.0	1.3	39.4	43.8	09/15	O/L
129	■-	Nichols	Listed	109	109	0.1	25	26	-0.2	23.3	23.4	-0.1	48.8	56.8	12/15	B
130	▲+2	Armaghdown Creameries	Family	106	92	15.1	1	1	60.3	1.4	1.0	0.4	7.8	5.2	09/14	O/L
131	▼-3	Kanes Foods	Family	105	108	-3.0	3	5	-28.4	3.3	4.4	-1.2	4.6	6.6	03/15	O/L
132	▲+7	Penguin Foods UK	Sub	103	98	4.8	4	3	24.4	3.4	2.9	0.5	5.8	5.9	03/15	O/L
133	▲+8	Kettle Produce	Family	101	96	4.9	2	-1	*	2.2	-1.1	3.3	10.8	-4.5	05/15	O/L
134	▼-10	Branston Holding	Family	100	115	-12.9	8	10	-14.1	8.4	8.6	-0.1	25.6	32.8	07/15	O/L
135	NEW	The Scottish Salmon Co	Family	100	126	-20.3	1	20	-97.3	0.5	15.8	-15.2	0.5	21.9	12/15	O/L
136	▲+4	Highland Spring	Family	100	98	2.4	3	3	-12.2	2.8	3.2	-0.5	9.4	10.4	12/14	B
137	▲+9	Compagnie Fruitiere	Sub	100	93	6.7	2	-0	*	1.7	-0.4	2.0	10.0	-2.0	12/14	O/L
138	NEW	Greencell	Family	99	76	31.0	4	3	21.8	3.9	4.2	-0.3	39.9	43.9	12/14	O/L
139	▲+4	Bel UK	Sub	98	94	4.1	11	5	117.0	10.9	5.2	5.7	44.3	22.5	12/15	B
140	▼-13	Alliance Group (NZ)	Sub	97	110	-12.3	0	1	-80.9	0.3	1.2	-0.9	1.7	11.0	10/15	O/L
141	▼-3	Green Label Foods	Family	96	98	-2.0	4	3	29.4	4.0	3.0	1.0	14.4	9.5	02/15	B
142	▲+5	F Smales & Son fish merch	Family	96	91	6.1	1	1	89.4	1.5	0.8	0.6	19.6	10.6	08/15	O/L
143	▲+2	Dairygold Fd Ingredients	Sub	95	94	1.4	1	1	9.2	1.0	0.9	0.1	3.1	2.9	12/14	O/L
144	■-	Frank Roberts & Sons	Family	94	94	-0.0	7	9	-28.3	6.9	9.7	-2.7	14.3	21.7	08/15	B
145	NEW	AJ & RG Barber	Family	93	87	7.0	6	6	3.8	6.7	6.9	-0.2	9.7	10.2	03/15	O/L
146	▲+3	English Provender Co	Family	90	89	0.8	8	7	17.4	8.6	7.4	1.2	38.0	32.3	08/15	B
147	NEW	Monaghan Mushrooms	Sub	89	101	-11.3	9	2	422.2	10.1	1.7	8.4	23.3	5.0	12/14	O/L
148	▲+2	Silver Fern Farms (UK)	Sub	89	89	-0.4	0	0	-27.1	0.4	0.5	-0.1	6.1	4.8	09/14	O/L
149	▼-14	Paynes Dairies	Family	87	103	-15.4	14	1	1420.9	16.4	0.9	15.5	115.7	6.6	04/15	O/L
150	NEW	Grahams The Family Dairy	Family	86	85	1.7	2	2	16.9	2.6	2.2	0.3	19.4	19.4	03/15	B

**Methodology:** The Top 150 Food & Drink Suppliers survey is produced by OC&C, a consultancy offering strategic advice to top management on the most complex issues in FMCG. In some cases (eg PepsiCo) it has not been possible to provide fully consolidated group accounts. Some companies include returns from international (eg ABF, Hilton Food Group) and non-food (eg Unilever) operations where it was not possible to separate based on accounts. **Ownership:** Listed (publicly listed), PE (private equity), Sub (subsidiary of a larger group), Family (family/closely owned). Main activity: B (branded), O/L (own label). **Notes:** 16 Tulip: part of Danish Crown but results not consolidated in Danish Crown UK accounts; 27 Woodhead Bros: trading as Neerock; 76 Innocent: trading as Fresh Trading; 90 Haribo: trading as Dunhills. To find out more about the Top 150 study contact OC&C on 020 7010 8000 or visit [ocstrategy.com](http://ocstrategy.com)



Ⓔ prioritise efficiency and protect margin. Finsbury's Duffy agrees labour challenges will "require all of us – food businesses in particular – to look for ways to automate and create efficiency products". Gates concurs, but stresses automation should not impede manufacturing flexibility, which is crucial in enabling production lines to respond to changing consumer and retailer demand. "Automation is great, but it's not always possible. Sometimes it is more efficient in a factory to have higher labour content because it's more flexible, quicker, and you have less downtime," he says.

### Pressure on capex

Whether it's efficiency led or consumer based the business case for manufacturing investment is complicated by market conditions. Overall capex from the 138 companies that detail investment fell 0.8% last year and slipped back to 2.8% of revenues from 3% the previous year. Only smaller own-label businesses grew capex investment in 2015, with large branded players cutting investment by 8.8%. OC&C suggests the collapse in business and consumer confidence since Brexit could lead to a further short-term slowdown in investment.

Most starkly the lack of capex growth is married with return on capital employed falling to its lowest level for 30 years at 12.4% amid the market deflation and flat profit margins. So what capex is happening simply isn't feeding through to the bottom line.

Premier's Darby sees this ROCE slump as an immediate priority. "You can only invest in capital to drive out costs if you get a return on that capital," he says. "If your revenues keep falling, it is tough to make even individual capital decisions make sense."

As for the regulatory reset in the wake of Brexit, an optimistic view could see the UK build on its existing reputation as a global leader in incubating innovative, creative, disruptive and insurgent brands to inspire structures and trade agreements that increase the sector's global competitiveness. But Brexit should not distract suppliers from controlling their own controllables – the chief of which is working harder to find and fund growth.

"Future growth is going to have to come via innovation," says Sachak. "Historically big companies have not been great places for generating innovation, but they are much better at taking somebody else's innovation to a much broader range of consumers."

"The industry needs to move from cost-cutting to innovation," agrees Premier's Darby, pointing to examples of smaller companies growing chiefly because they're the ones innovating.

Suppliers may have become risk-averse when it comes to investment because of the chaotic grocery retail environment, low margins and poor return on capital spend. But the Top 150 figures suggest focusing on efficiencies isn't enough to solve tightening margins – companies need to take calculated risks, pursue the pockets of growth still out there, and commit capital to growth.

Darby sums up: "You've got to have top-line growth, or you're just running faster and faster to at best stand still." Brexit – with its inflationary push and export opportunities – could be the jolt to finally get it moving again. ●



## The levers for growth

### How are the food industry's top players fighting back against the low-growth, deflationary market?

- **Invest behind brands:** Some of the top performers this year are those who have invested in their brands and unlocked category growth despite the stagnant wider market. Suppliers need to carefully consider which brands to support with investment and NPD that grow volumes. This can have a short-term impact on margins, but the long-term gains are likely to be more valuable. Bergen Mery, MD of Müller Yogurt & Desserts, says: "In the UK we consume less yoghurt per capita compared with consumers in Europe. There is real potential here, and we are continuing to invest to unlock further category growth."
- **Break from traditional category constraints:** Brands like Weetabix are attempting to reframe consumer thinking around brand identity and occasions to find growth – often with new products that blur traditional category boundaries and enable access to new meal occasions and consumers. Big fmcg players are also looking to shift emphasis away from the retailers and focus on "pull" rather than "push" route to market models, and are using technology to build relationships directly with consumers.
- **Automation and manufacturing investment:** Targeting capital spend on manufacturing capabilities can grow volumes, produce innovative products and increase labour efficiencies through automation. There is wide disparity in capex across the Top 150, but many of those unlocking growth have reformulated their supply lines to enable them to access convenience and food to go.
- **Grow sales outside core market:** Moving product reach beyond the tough UK retail market into international markets where a category is potentially less mature and competitive can be a powerful lever. The post-Brexit weakness in the pound significantly improves export margin potential, having previously constrained top-line export growth. Using M&A to diversify into growth segments dominated by smaller, more nimble brands is also a trend, though, typically driven by international players buying into the UK rather than larger domestic competitors snapping up smaller, innovative rivals.

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