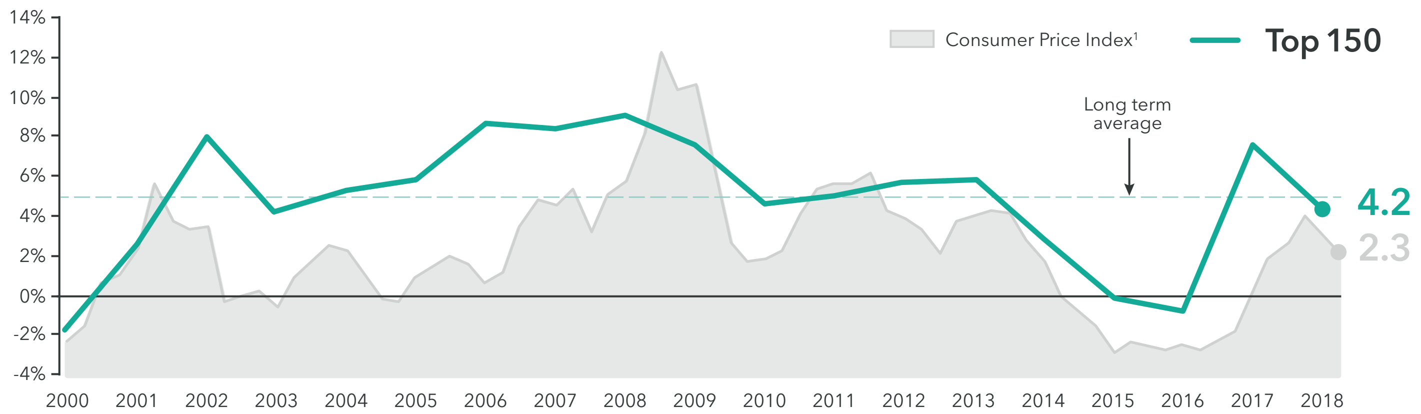
1. 2018 saw growth fall back to average levels for the Top 150 as inflation began to stabilise

TOP 150 HISTORICAL REVENUE GROWTH VS CONSUMER PRICE INDEX

Variable cohort

%, 2000-18

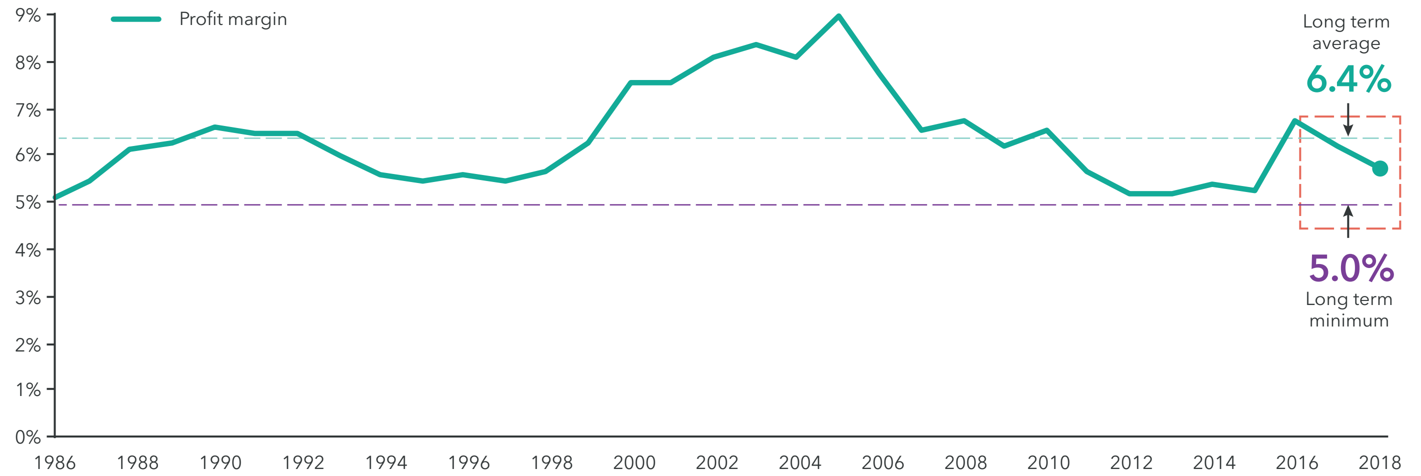


[1] CPI for Food and Non-alcoholic Beverages

2. However this remaining inflation continued to squeeze profit margins for a second year

TOP 150 LONG-RUN PROFIT MARGINS BETWEEN 1986 – 2018

Variable cohort



3. Consumers bore the brunt of raw material inflation, as retailers grew their margins

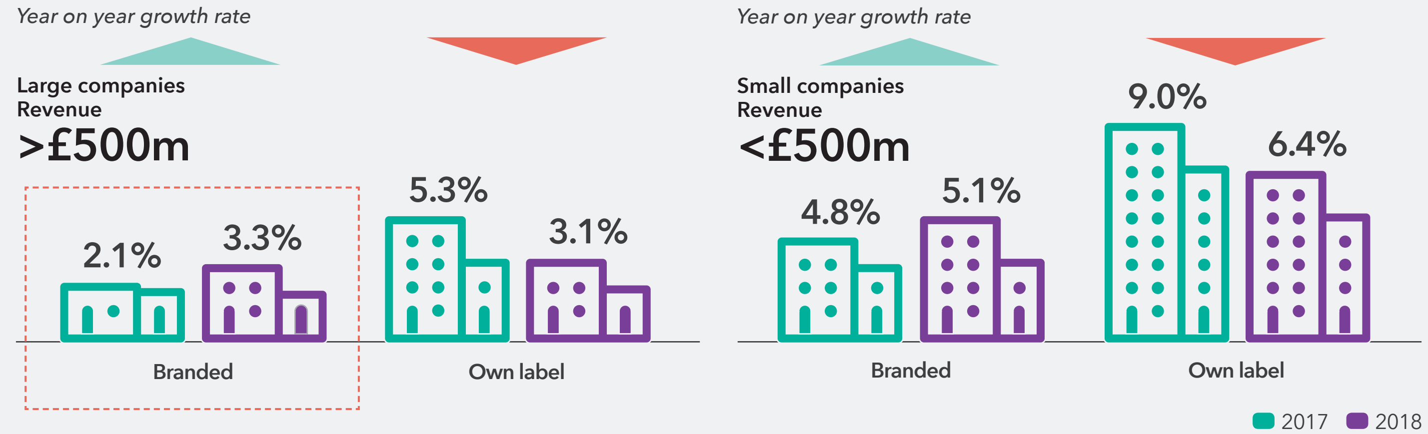
Pass-through of commodity inflation, value chain analysis (£m, %)

2017-18

[1] Energy and unprocessed food index

4. Big brands collectively finally saw their revenue growth improve after years of slower growth

UNDERLYING REVENUE GROWTH[1] BY COMPANY TYPE AND SIZE, TOP-150 2017 VS 2018



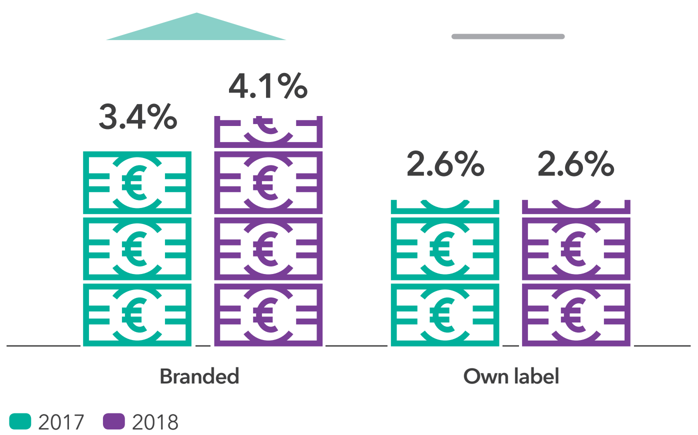
[1] Underlying revenue growth excluding M&A impacts of more than £100m

5. Branded players have also stepped up capital investment and are starting to see productivity improvements whereas own label producers' productivity is flat

CAPITAL EXPENDITURE & LABOUR PRODUCTIVITY BY COMPANY TYPE 2017 VS 2018

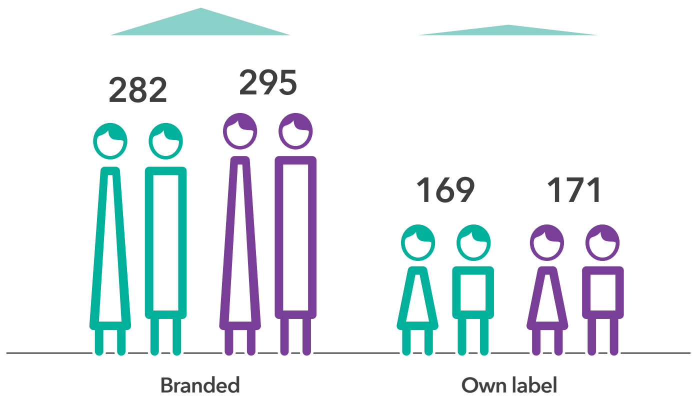
Capital expenditure as percentage of revenue (%)

Capex improvement / deterioration



Revenue per employee (£k)

Improvement / deterioration



6. Within this challenging environment, suppliers need to work hard to make their own fortunes

PERFORMANCE WINNERS OVERVIEW

	Top 150 Rank	Turnover Growth[1] (%) YOY 2017-18	Margin Delta[2] (%pts) YOY 2017-18	Winning Strategy
Coca-Cola European Partners	#5	12.7%	-1.6%pts	Strong growth of sugar free, shift towards higher value formats and capitalising on the strong World Cup summer
McCain	#32	9.7%	0.9%pts	Premium healthier alternatives to serve growing consumer demand
Finlays	#42	10.0%	2.2%pts	Focus on value added coffee products (e.g. cold brew)
Scottish Sea Farms	#87	29.9%	4.0%pts	Investment in infrastructure and R&D to help capitalise on strong global demand for Scottish salmon
Nichols	#119	7.0%	6.3%pts	Focus on sugar free products and effective regional marketing

[1] Annualised turnover growth

[2] Operating profit margin delta

Note: OC&C and The Grocer's Food & Drink 150 analyses the latest availiable public company accounts of the 150 largest food and soft drinks producers in the UK