

Market Review

An overview of the markets we operate in, and a summary of the key trends we aim to take advantage of.

Our Markets

Market conditions in the last 18 months have unsurprisingly been entirely shaped by the ongoing Covid-19 pandemic with overall demand for food and drink (both in-home and out-of-home) fluctuating significantly, shaped by national, regional and local lockdowns and restrictions.



Retail

Grocery

Total retail grocery sales since the start of the pandemic have increased by £10.1 billion (source: IRI, July 2021) and are currently still tracking ahead of 2019's pre-pandemic levels. We are now starting to see a rebalancing in shopper behaviour with many pre-pandemic trends starting to return suggesting that the road back to normality is underway. As a nation we are now shopping more often again, later in the week (a trend which changed significantly in 2020) and are spending less per trip. Momentum is returning to those channels which struggled at the height of the pandemic such as the discounters and high street, while the convenience channel which saw a huge growth in the first few months of the pandemic has now returned to more familiar levels. Online share of the grocery market doubled during the pandemic and continues to be significantly higher than 2019 but has also fallen back from its peak share.

Cake

The Company is one of the largest ambient cake manufacturers in the UK, a market valued at over £980.0 million (source: IRI 52 w/e July 2021). We trade across all major categories, with large presences in celebration cake, sharing cake and seasonal categories.

Bread

The retail bread and morning goods market has a value of £5.1 billion and has grown by 6% year on year (source: Kantar Worldpanel 52 w/e July 2021). We have sizeable presences in buns and rolls, hot cross buns and artisan bread.

Free From

The retail Free From cake market is valued at £52.0 million (source: Kantar Worldpanel 52 w/e May 2021) and the retail Free From bread and morning goods market is valued at £145.0 million (source: Kantar Worldpanel 52 w/e July 2021).

£52.0m

Retail value of the Free From cake market as of May 2021.

Out-Of-Home

The UK out-of-home market spans many sub-sectors including coffee chains, restaurants, pubs, hotels and the non-profit sector such as the prison service or education. Each has different routes to market. The forecast value of the total UK out-of-home market size in 2021 is €63.0 billion (source: Lumina Intelligence), growth of circa one third compared to a heavily pandemic impacted 2020. This equates to the market recovering circa 70% of its 2019 pre-pandemic value. If 2022 sees non-restricted trading then the out-of-home market is set to make a full recovery, grow by 44% to €91.9 billion and exceed its 2019 value (source: Lumina Intelligence).

We have a significant presence in the out-of-home bread and morning goods sector, primarily via our buns and rolls business and with our Kara brand. In sweet treats our presence is primarily within the coffee chains.

70%

Out-of-home market has recovered to 70% of its 2019 pre-pandemic value.



Overseas

Our overseas markets are primarily in Europe, principally France, Benelux and Ireland, with a smaller presence in most other major European countries. The size of these markets is significant, and their structure is similar.

Consumer Trends

Consumer confidence has been weak for some time, and continues to be so despite improvements in Q2 2021 as the staged roadmap to end restrictions has been implemented. Although consumers will remain cautious and price-conscious, they will continue to want affordable treats, so pricing needs to reflect household economics.

The trend towards healthier eating options has been a feature of the UK food and drink market for several years and has continued to evolve. However, indulgence remains a key trend and consumers continue to look to 'sweet-treating' categories for affordable treats. Media focus and regulatory pressure will remain a driver for recipe reformulation, portion size and product innovation. Indeed, new legislation targeting a number of 'High Fat, Salt and Sugar' (HFSS) categories including cake and morning goods is due to come into effect in 2022. This will lead to changes in the way these categories are advertised, displayed and promoted in store and online.

Long-term social and demographic trends have a major bearing on the food sector. These include the rise of smaller households, single-person mealtimes, an ageing UK population, growing urbanisation, and an increasingly mobile population (although this has stalled due to Covid-19) with less time to eat. This growing fragmentation of consumers, channels, eating moments and needs is translating into increasing demand for personalised products to meet individual needs. As a result, single-serve and individually wrapped products are becoming more prevalent and important. The latter may continue to gain popularity as a consequence of the Covid-19 pandemic with food safety and hygiene featuring higher on the list of consumer priorities.



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