Foodservice Market Update

October 2013

Market Overview —Year ending June 2013

- In the year ending (YE) June 2013, the total out-of-home (OOH) market was worth £49.4 billion, up 0.1% from last year.
- OOH traffic levels are down 1.1% compared to last year, traffic is down in the majority of age groups. Increased average spend has offset reduced traffic levels and a minimal sales growth was achieved (0.1%).

Total Sales
£49.4 Billion (+0.1%)

Traffic
10.9 Billion (-1.1% YOY)

Average Individual Spend
£4.54 (+1.3% YOY)

Average Price per Item
(+3.3% YOY)

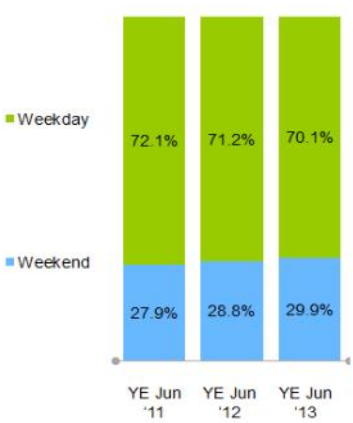
Average Number of Items
(-1.6% YOY)

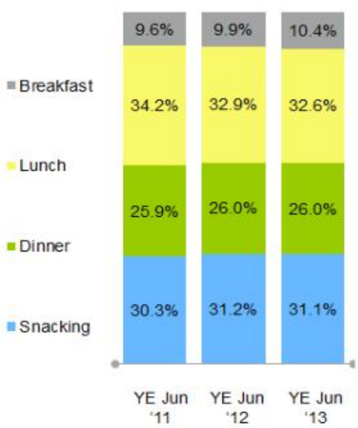
Quarterly Review — OOH Channels

- Quick Service Restaurants (QSR) had over 50% share of traffic in the year ended June 2013, and sales increased 1.2% YOY. Despite this growth, in the latest quarter the QSR traffic has fallen 2.4%, with weekday traffic down 2.1%. During the last year, QSRs have seen the most traffic gains at breakfast time and weekends. Traffic has risen year-on-year (YOY) in the category aged 50+, at the same time there has been a slight reduction of under 18s.
- Pub visits have remained fairly static this quarter. Weekend traffic has increased over the previous year, however, weekday traffic has fallen. Pub sales have declined 0.4% YOY driven by reduced spend. Similarly to QSRs, the biggest growth in traffic has been in the 50-64 age category when compared to 2012.
- Full Service Restaurants (FSR) have continued to see a downward trend in traffic, falling 4.0% YOY in the latest quarter. Over the last year, despite a rise in price per item, sales decreased 1.1%, impacted by a reduced number of visits. FSRs are often priced higher than other food service channels, with the average spend per customer at £11.26 compared to £3.53 within QSRs. This may provide a barrier to those households who are watching their expenditure closely. Items bought per eater have fallen by 4.2%, attributing to the decline of total sales for FSRs.
- The travel and leisure sector saw a double-digit reduction in traffic over the last quarter. Sales rose 0.5%, mainly due to the price per item increasing 8.8%, which in turn drove growth of 3.1% in average individual spend. The dinner occasion recorded 10% traffic growth, however, all other occasions have remained equal or seen a decline in traffic levels compared to the previous year.
- Visits to workplace/education outlets have fallen 9.9% during the last quarter. Within the workplace, lunch traffic remains down YOY, with a slight growth in breakfast and snacking. In the education channel, traffic has decreased 1.6%. The main reductions can be seen at breakfast and lunch occasions. The important weekday visits have seen declines at both workplace and education outlets.

	SHARE OF TRAFFIC YE JUNE 2012/13		TRAFFIC CHANGE % YOY (+/-)				
FOODSERVICE CHANNELS	2012	2013	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13
QUICK SERVICE RESTAURANTS	50.7	51.1	0.9	1.2	0.6	-0.2	-2.4
PUBS	11.1	11.2	-1.2	-0.7	0.4	-0.2	0.1
FULL SERVICE RESTAURANTS	10.6	10.6	-2.0	-2.8	0.2	-0.2	-4.0
TRAVEL & LEISURE	10.7	10.6	-0.4	0.8	-0.7	0.4	-10.5
WORKPLACE/EDUCATION	15.9	15.6	-4.7	0.1	-2.1	-1.9	-9.9

Total out of home traffic distribution



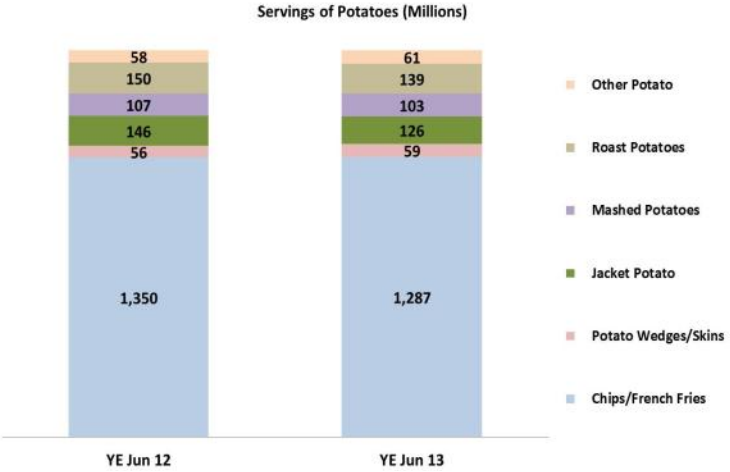


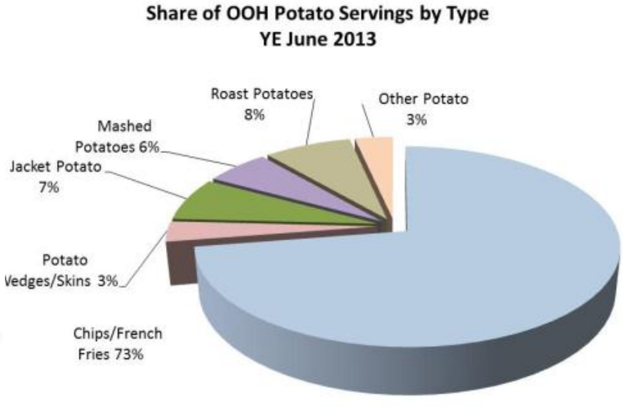
- Weekday visits contribute to the majority of the total out-of-home traffic distribution. However, total traffic growth has come mainly at the weekends. It now represents just under 30% share of total visits, and has been steadily increasing over the last 3 years. In the last year, lunch has been the most common meal eaten out of home. Breakfast continues its long-term growth and accounts for 10.4% of OOH traffic, growing 3.7% YOY.

Data Source: NPD Crest
Q2 - Year ending June 2013,
GB Only

Potato Consumption - Orders and Servings

This section refers to OOH servings that contain a particular product.

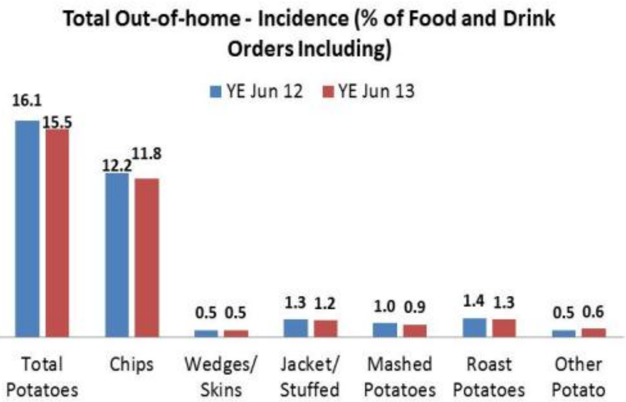




- There were 1.78 billion potato servings OOH in the year ending June 2013, with chips accounting for 73% of these. Over a quarter of chip servings were within quick service burger restaurants. Overall, chip servings are down 4.7%, impacted by the poorer QSR chip performance earlier this year. Servings through QSRs in Q2 2013 remain in line with last year, whilst there has been growth in servings through FSRs and pubs.
- Potato wedges/skins represent 3% of total OOH potato servings. This is an increase of 6.4% when compared to the previous year. The main growth has come through the QSR channel.
- Servings within the workplace for jacket potatoes increased 2% YOY. However, heavy reductions within pubs and QSRs meant overall servings were 13.4% behind last year. There was double-digit growth within FSRs (+22%), this now accounts for 16% of jacket potato servings. Most jacket potatoes are served at lunchtime across all OOH channels.
- Mashed potato servings stood at 103 million, slightly down from last year. Nearly 42% of all mash servings OOH are in pubs, however, servings have dipped almost 17%. Growth can be seen in workplace/education servings, which have risen 27.2% YOY to 18 million servings.
- Over half of roast potato servings OOH were in pubs during the last year, but servings in this outlet have fallen 6% YOY. Roast potato servings also struggled within the FSR and travel & leisure channels, while there has been a slight increase in servings in the workplace. This goes against the downward trend in other OOH service channels.
- Total OOH breakfast traffic has risen 3.7% YOY. Following this increase in traffic, the number of servings of hash browns OOH has grown 6.4% to 173 million servings compared to last year. The majority of these incremental servings came through pubs, where breakfast is providing a strong growth opportunity.

Potato Consumption - Incidence Rate*

- Potatoes currently feature in 15.5% of OOH food and drink orders, this is slightly behind last year.
- Chips remain the most common potato variant to be served out of the home. However, the incidence rate was down from last year, impacted by the poorer performance in QSRs over the year. However, the incidence rate for chips did rise within FSRs and Pubs.
- Wedges and skins have remained at a similar level compared to last year, whereas the mashed potato incidence rate has fallen slightly.



Incidence rate refers to the percentage of orders that contain that specific food

Focus on wider food: Levels of potato servings

- 32% of chip orders and 47.8% of mashed potato orders include a meat main dish. Overall, red meat servings were 1.2% lower compared to last year.
- 40.6% of potato wedge orders include an Italian main dish.
- 38.1% of roast potato orders include a dessert order, compared to 10.4% of jacket potato orders.