

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

UK bakery is a large market valued at over £6.2 billion. In its broadest sense, UK bakery comprises the cake market and the bread and morning goods market. Both these markets straddle the grocery retail market and foodservice market, often also known as out-of-home eating.

We can break the whole market down further into smaller sub categories:

- Cake: sharing, bites, celebration and seasonal.
- Bread and morning goods: 'plant' (packaged or factory) bread, artisan bread, buns and rolls, seasonal hot cross buns, pastry, muffins, doughnuts, Italian and many more.

Both markets also have a wide range of ingredients that can be allergens – including wheat, dairy, eggs and nuts – in which there are growing sub markets such as Free From.

Cake

The total UK ambient cake market (including prepacked cake and in-store bakery) is valued at over £969.0 million (source: IRI, 52 w/e 20 July 2019). We trade across all categories, with large presences in celebration, sharing and seasonal categories.

Bread

The annual retail bread and morning goods market has a value of £4.5 billion (source: Kantar Worldpanel 52 w/e 14 July 2019). This market is further divided as plant bread (£1.6 billion) and the rest, bread and morning goods (B&MG) (£2.9 billion). We trade only in B&MG, with sizeable presences in buns and rolls, hot cross buns and artisan bread.

Free From

The retail Free From bread and morning goods market is valued at £125.3 million (source: Kantar Worldpanel 52 w/e 21 April 2019). The retail Free From cake market is valued at £49.5 million (source: Kantar Worldpanel 52 w/e 24 March 2019).

Foodservice

UK foodservice 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 UK foodservice B&MG sector is worth £747.0 million per annum (source: Derived from MCA data 52 weeks to 31 March 2019). We have a significant presence in this sector, primarily with our buns and rolls business.

The UK foodservice cake and sweet treat bakery sector is worth approximately £918.0 million per annum (source: Derived from MCA data 52 weeks to 31 March 2019). Our presence in this sector is primarily within the coffee chains and, through the larger wholesalers, restaurants and pubs.

Overseas

Our Lightbody Europe subsidiary has a significant presence in France as well as Belgium and Holland. The recent acquisition of Ultrapharm has given us additional markets of Scandinavia, Italy and to a lesser extent Germany, Austria and Switzerland. Through our UK retail customers, we trade regularly with their Irish businesses.

Broad Consumer Trends

Innovation and product development is essential to the Group's strategy, helping our customers differentiate themselves and meet the needs of their end customers. Our challenge is to maintain a dynamic product portfolio that matches and satisfies macro consumer trends and niches. Relevant significant market trends are:

Economic

Consumer confidence has been weak for some time, and price and value will remain important. Although consumers will remain cautious and price-conscious, they will continue to want affordable treats, so pricing policies need to reflect household economics.

Grocery and Convenience Channels

Online and discount will be the two fastest growing grocery channels, and will account for 23.5% share of grocery expenditure by 2024 (IGD). The convenience channel is also forecast to see strong growth.

Out-of-home

In the out-of-home market, volume growth has declined as weakening consumer confidence and general consumer caution mean people eat out less. The casual dining restaurant sector is likely to struggle, but fast-food outlets, coffee shops, supermarket cafés and food-to-go offers will see better growth.

Healthy Eating

Consumers continue to pursue more healthy eating options generally, though indulgence is also a key trend in 'sweet-treating'. Media focus and regulatory pressure will continue to drive recipe reformulation and portion size. The 'better for you' market is proliferating rapidly, with protein, gut health, low sugar, vegetarian, plant health, grains and seeds, and slow energy release all growing in popularity over recent years.

Free From

The overall Free From market (all types of food ranges and products) continues to grow, doubling in size in the past five years. Mintel forecasts it to grow by an additional 25% to £899.0 million by 2022. It is boosted by consumers who don't cite a specific allergy or intolerance, but choose to avoid certain ingredients as part of a general healthy lifestyle. Dairy-free and gluten-free are the biggest sub-sectors. The Free From bakery market is valued at £172.0 million and has grown 16.5% year on year (source: Kantar Worldpanel 52 w/e 24 March 2019).

Artisan Bread

The artisan bread market has grown due to the perceived health benefits, the wider trend of provenance and the 'craft' movement. Consumers respond well to products they perceive to be less mass-manufactured.

Fragmentation

Social and demographic trends have a major bearing on the food sector. These include smaller households, single-person mealtimes, an ageing UK population, urbanisation, and an increasingly mobile population with less time to eat. These are fuelling the growth of convenience, online and out-of-home channels. But the growing fragmentation of consumers, channels, eating moments and needs will also translate into increasing demand for personalised products to meet individual needs. Thus single-serve and individually wrapped products are becoming more prevalent and important.

Technology

Technology is fundamentally changing the relationship between businesses and customers, who are increasingly using mobile devices to make purchases. Demand for anytime, anywhere purchasing and access to information will accelerate. Online ordering is not just for the weekly shop, it is also for top-up and 'dinner tonight' shopping.