Nomad Foods Limited

Fourth Quarter and Full Year 2018 Earnings Conference Call

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PRESENTATION

Operator:

Good day, and welcome to the Nomad Foods Fourth Quarter 2018 Earnings Conference Call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Mr. Taposh Bari, Head of Investor Relations. Please go ahead, sir.

Taposh Bari:

Thank you, Carey, and thank you all for joining us to review our fourth quarter and full year 2018 earnings results. With me on the call today are Chief Executive Officer, Stéfan Descheemaeker, and Chief Financial Officer, Samy Zekhout.

Before we begin, I would like to draw your attention to the disclaimer on Slide 2 of our presentation. This conference call may make forward-looking statements that are based, in our view, on the Company's prospects at this time. Actual results may differ due to risks and uncertainties, which are discussed in our press release, our filings with the SEC, and this slide in our Investor Presentation, which includes cautionary language.

We will also discuss non-IFRS financial measures during the call today. These non-IFRS financial measures should not be considered a replacement for and should be read together with IFRS results. Users can find the IFRS to non-IFRS reconciliations within our earnings release and in the appendices at the end of the slide presentation that is available on our website.

Finally, please note that certain financial information within this presentation represent adjusted figures for 2017 and 2018. All adjusted figures have been adjusted for exceptional acquisition-related and share-based payment and related expenses, and all comments from hereon will refer to those adjusted numbers.

With that, I will hand the call over to Stéfan.

Stéfan Descheemaeker:

Thank you, Taposh, and thank you all for joining us on the call today. Earlier today, we reported fourth quarter and full year 2018 earnings results. Highlights from the fourth include: organic revenue growth of 4.2%, representing our strongest quarter of the year, with solid contribution from both volume and price; adjusted gross margin of 29.9%, in line with our expectations as gross margin expansion in the base business, was offset by acquisition mix; Adjusted EBITDA of €101 million represented an increase of 23% year-on-year; and adjusted EPS of €0.29 per share, representing growth of 7%.

Fourth quarter performance exceeded our guidance, capping a strong end to 2018, which marked the second consecutive year of low single-digit organic revenue growth, market share gains and double-digit adjusted EPS growth. Importantly, fourth quarter performance reflected broad-based strength across a portfolio with 10 of our 13 countries in growth.

The innovations that we launched in the back half of 2018, namely Veggie Power, Pulses and Plant Protein, have been very well received by the trade and with strong early signs of consumer acceptance. We are also pleased with progress we are making on acquisitions as we continue to not only integrate Aunt Bessie’s and Goodfella’s, but also strengthen our capabilities to be a best-in-class acquirer and integrator in years to come. Both brands are posting strong year-on-year revenue growth, with performance ahead of plan, paving the way for another good year in 2019.

Finally, our business results continue to drive strong cash generation, reducing our pro-forma leverage to 3.8 times as of year end, and providing us with a flexible balance sheet to accommodate accretive capital deployment.

Overall, we’re quite pleased with these results, which continue to reflect the power of our brands and the level of focus and determination throughout the entire organization.

Looking back at the performance of our Company over the past two years, I can say with confidence, and with pride, that the investments that we’ve been making in our people, our brands and our culture are paying off. The strategic prioritization of our core power SKUs, strong execution of our commercial plans and the cost-conscious mindset are combining to drive margin-accretive growth, while helping fuel our future. We have achieved eight consecutive quarters of organic revenue since implementing this strategy, resulting in 3.9% organic revenue growth in 2017, and 2.6% growth in 2018. During each of these years, we gained market share of a growing category, while achieving increases in both price and volume. These results demonstrate the strength of our brands and products offering, the sustainability of our growth model and the durability of our portfolio.

Looking out to 2019, I’d like to provide you with a few of our top priorities.

First and foremost, we expect to deliver another year of top and bottom line growth in line with our long-term growth algorithm, which begins with low single-digit organic revenue growth.

Consistent with a trend that you've come to expect from us over the past two years, growth in 2019 is once again expected to be driven by our core portfolio, also known as our Must Win Battles. These categories account for approximately 70% of our sales, carry the highest gross margin and market share within our portfolio, and have the greatest headroom for growth. While we've made good progress on our core, there is further opportunity to increase penetration through continued execution of our growth model.

We will look to build on the innovation that we brought to market in 2018, by further developing our pipeline in line with consumer trends; notably, health and wellness, convenience and sustainability. The trade acceptance to our recent launches has been strong, with equally encouraging early feedback from our consumers. We have exciting plans to further develop our pipeline in 2019, including the launch of plant protein products in the U.K., a new line of artisan breadcrumb coatings in our fish portfolio, and further modernization of our vegetable offering.

We expect to deliver another strong year of cash flow in 2019, through a combination of EBITDA growth, working capital efficiency and strong overall discipline around cash use. We're happy to see leverage below four times, which we expect to decline further throughout the year, based on the free cash flow we expect to generate. This leaves us with plenty of flexibility to pursue our M&A ambitions, as we see fit.

Finally, we will maintain our discipline and focus as we look to successfully navigate another year of raw material inflation, as well as a potential Brexit. I'll first comment on inflation and then provide a few words on Brexit.

As we indicated last quarter, the cost of fish is increasing due to a combination of supply and demand factors. This has led us, and the rest of the industry, to raise price. We continue to maintain a constructive dialogue with our trade partners, who are observing similar dynamics in their private label businesses. At the same time, we've continued to invest in our brands, elevate the frozen food category and develop our net revenue management capabilities. While it's still early in the year, we expect our advancement in these areas to enable us to successfully navigate raw material inflation in 2019, just as we did in 2018.

Before I turn the call to Samy, I would like to provide some thoughts on Brexit. As a reminder, the U.K. represents 30% of our sales on a pro forma basis, with more than half of their sales produced within the U.K. at a factory in Lowestoft. Now, while the final outcome of Brexit remains uncertain, there are some elements that are fairly clear to us.

First and foremost, our business model is compatible with a post-Brexit world. We have the scale, agility and levers to successfully adapt to Brexit, and are prepared to take action as the situation gains clarity.

Second, we have the necessary contingency plans in place to manage the risk of near-term disruption in the event of a no-deal Brexit. Specifically, we have a concrete action plan to ensure uninterrupted service to our customers. This includes building additional safety stocks ahead of March 29. While a no-deal Brexit scenario would likely lead to higher product costs during the short term as a result of the WTO tariffs, it will also result in higher prices of brands and goods held, and we believe we are well equipped to navigate this scenario.

In summary, we are very pleased with the results that we reported this morning, our strong momentum in our business, and are excited to deliver another year of growth in 2019.

With that, I will hand the call over to Samy to discuss our results in more detail and provide our initial thoughts on 2019 guidance. Samy?

Samy Zekhout:

Thank you, Stéfan, and thank you all for your participation on the call today. Turning to Slide 6, I will provide more detail on our key fourth quarter operating metrics, beginning with revenues, which increased 21% to €615 million, driven by 4.2% organic revenue growth and 17.1 percentage points from the acquisitions of Aunt Bessie's and Goodfella's. Foreign exchange translation offset revenue growth by 0.5 percentage points during the fourth quarter.

Adjusted gross margin was 29.9%, declining 160 basis points year-on-year. Base business gross margin expanded 20 basis points, driven by volume mix and price, which more than offset COGS inflation and some residual effects from a poor harvest. The 20-basis-point increase in the base business was offset by 180 basis points of acquisition mix, which we expect to moderate in 2019, as the acquisitions enter the base and commercial initiatives are realized.

Moving down to the rest of the P&L, adjusted operating expense increased 8% year-over-year, primarily due to the inclusion of acquisitions. Within operating expense, A&P increased 10% and indirect expense increased 7%. Adjusted EBITDA was €101 million, representing 23% growth, versus the prior year. Adjusted EBITDA margin of 16.4% compared to 16% in the year ago period, due to the aforementioned factors. Adjusted EPS was €0.29 for the quarter, an increase of 7%, reflecting underlying EBITDA growth, offset by higher finance costs in Q4, mainly due to phasing.

Turning to Slide 7, I would like to review the P&L highlights for our full year of 2018 results. Revenue increased 11%, driven by 2.6% organic revenue growth and 9.4 percentage points from acquisitions. Foreign exchange translation offset revenue growth by one percentage point during the year. Adjusted gross margin was 30.3%, declining 30 basis points, primarily due to the effect of acquisition mix of 110 basis points. Adjusted operating expenses increased 5%, as disciplined expense management in our base business helped fund investments in A&P. Absolute growth in opex was largely driven by acquisition. Adjusted EBITDA increased 15%. We achieved 50 basis points of EBITDA margin expansion, ending the year at a margin of 17.3%. Finally, we delivered adjusted EPS of €1.19, which grew 19% year-on-year. We are pleased to have reported full year EBITDA and EPS ahead of our prior guidance.

Turning to cash flow, on Slide 8, we generated €291 million of adjusted free cash flow during the year, representing 99% adjusted operating cash flow conversion. Factors contributing to the free cash flow in 2018 included Adjusted EBITDA of €376 million, a working capital inflow of €32 million, capex of €36 million, cash taxes were €33 million, and, finally, cash interest and other were €48 million. We are pleased to be reporting another year of strong cash flow generation.

Before turning to guidance, I would like to spend a moment providing you with some background on IFRS 16. This is a new accounting standard on leases which came into effect on January 1 of this year, and whose impact will become apparent in our financial results beginning in the first quarter of 2019. For those of you familiar, this will be similar, but not exactly the same, as the lease accounting standard which companies following U.S. GAAP are affected by.

We have summarized the impact of IFRS 16 on our financials in 2019 on Slide 9. Beginning in 2019, and the first quarter to be specific, we will be required to capitalize operating leases onto our balance sheet. IFRS 16 will have a few effects on our P&L. First, it will increase EBITDA by approximately €15 million due to the effect of the lower lease expense, which will be offset by higher depreciation and interest expense charges. The impact on gross profit and SG&A will be relatively minor, as this is effectively a reclassification out of lease expenses and into D&A and interest expense.

Please keep in mind that the actual impact of IFRS 16 will depend on leases that we enter and terminate in 2019, making these figures a best estimate, which may be subject to change. When netting all of these factors, IFRS 16 is expected to be approximately €5 million dilutive to pre-tax profit and €0.02 dilutive to EPS.

With that, let's now turn to Slide 10 to review our initial 2019 guidance, which includes the aforementioned impacts of IFRS 16, and is based on foreign exchange rates as of February 26, 2019. For the full year 2019, we expect the following: organic revenue growth at the low single-digit percentage rate, which assumes moderate category growth and continued market share expansion; Adjusted EBITDA of approximately €420 million to €430 million, which includes the anticipated benefit of €15 million as a result of IFRS 16—when stripping out IFRS 16, Adjusted EBITDA is expected to grow 8% to 10%, reflecting growth in the base and contribution from acquisitions; adjusted EPS in the range of €1.28 to €1.32, which approximately includes €0.02 of dilution as a result of IFRS 16.

In our 2019 full year guidance are the following: base business gross margins are expected to increase for the year, offset by a negative mix from acquisitions in Q1 and Q2, until we anniversary a full year of ownership mid-year; for the year, operating expenses are expected to grow roughly in line with sales; finance costs are expected to be approximately €70 million, including approximately €5 million related to IFRS; we expect an effective tax rate of 21%; and are modeling a share count of 176 million.

Finally, there are some quarterly variations that we anticipate in 2019, which I would like to bring to your attention for modelling purposes. As you may know, Easter falls three weeks later this year versus last. This will result in shipments phased from Q1 to Q2, versus a year ago, shifting an estimated 2% of organic revenue growth from Q1 to Q2. Second, on a consolidated basis, we expect year-on-year A&P growth to be greatest in the first quarter, with growth moderating throughout the year and declining in Q4. Taking all of these factors into consideration, we expect Q4 to represent the highest quarter in both absolute EBIDTA and year-on-year growth.

That concludes our remarks. I will now turn the session over to Q&A. Thank you. Operator, back to you.

Operator:

Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions.

We'll take our first question from Andrew Lazar with Barclays.

Andrew Lazar:

Good morning, everybody.

Stéfan Descheemaeker:

Good morning, Andrew. How are you doing?

Andrew Lazar:

Good, thank you. So, in thinking about organic growth in the fourth quarter, obviously, quite a bit stronger than I think most had modeled, volume was very solid, but the real sort of upside, if you will, to organic was the pricing piece as that comes through, and it was good to see, obviously, volume remain positive in the face of that pricing, so I guess two questions on this. One is what does that sort of suggest to you all about elasticity? Is that running broadly in line with what your thoughts or expectations had been, or perhaps is it a bit more positive? Then, as additional pricing comes into play as you go through '19, in light of some of the inflation you're facing, would you expect that sort of dynamic to continue, or would we think the organic growth that you get in '19 becomes increasingly sort of pricing-led versus volume? Thank you.

Stéfan Descheemaeker:

I will put it that way, Andrew, elasticity, it's a bit too early in 2018; however, we started to implement some price increases, but definitely the bulk of the price increase is on the sales in 2019. So, talking about 2019, what we've seen so far is early signals in terms of price elasticity is good, but I would put it that way, so it would be a bit premature in 2018, but the more important thing is, obviously, quarter by quarter you can have some spikes in there. What really matters for us is, obviously, the low single-digit revenue—organic revenue growth that we have in mind. So, yes, quarter four was very strong. This being said, what really matters for us is go throughout all the quarters with that kind of algorithm in mind. But, back to price elasticity, so far, so good, I would put it that way.

Andrew Lazar:

Okay, thanks for that, and then just in terms of—

Stéfan Descheemaeker:

Did that answer your question?

Andrew Lazar:

It did. No, that's helpful, thank you. Then, just from a full year perspective, when we think about the type of flexibility that may be in the model—I'm trying to get a sense of how much, if any, incremental potential Brexit costs that you may have sort of built into the model. Is it that you've built in some of the contingencies that you've been—or that you will take, but obviously, if something goes to whatever, the worst-case scenario, I would think that's not built in fully, of course, to the type of guidance—

Stéfan Descheemaeker:

Correct.

Andrew Lazar:

Just a little more clarity—okay.

Stéfan Descheemaeker:

Correct. The no-deal, what we call—what everybody calls the no-deal is not in our guidance, because by definition, nobody knows, starting with the politicians, nobody knows exactly what that really implies. We obviously have some ideas, but it's really premature. At the same time, we are—in any case, in terms of Brexit, yes, we're preparing ourselves, you know, in terms of inventory, in terms of capabilities, and all these things, and so we have incorporated a bit of costs no matter what, because we have to be prepared with or without any deal. The good news for us is, overall, in the no-deal Brexit scenario is our brands are doing extremely well. We know that obviously if there is a no-deal, there will be tariffs, and those with the strongest brands will, obviously, be the best equipped in terms of price increase.

Andrew Lazar:

Great, thank you.

Operator:

We'll take our next question from Steve Strycula with UBS.

Steve Strycula:

Hi, good morning, and congratulations on a good quarter.

Stéfan Descheemaeker:

Thank you.

Steve Strycula:

Stéfan, I'm curious, operationally, it sounds like both of the acquisitions that you recently acquired are tracking ahead of plan. Is that purely distribution growth or is there something your tactically doing in the marketplace that is leading to that revenue outperformance there, and kind of what innovations do you have planned for these businesses for '19? I'll stop there, but I have a follow-up afterwards.

Stéfan Descheemaeker:

I think, to start with, you are absolutely right, and that was part, by the way, of our plans. We knew that by incorporating these two brands together with the Birds Eye, it would lead to, obviously, additional listings. You have just to start with the initial reaction from the trade. Trade told us, you know, "Fine, we like this idea of incorporating these brands, because if you do what you have been doing with the Birds Eye, I think it can only be a win/win." And with the trade, in the field, we see the difference. So, that's really the first piece.

In terms of improvement and all the rest of it, the first manifestation with these two additional brands is, obviously, they really have embraced this "must-win battles" strategy, which is about focus, and it means also, by the way, that we are de-focusing some pieces of the portfolio, and they understand what it means, which is good news, they see that it's starting to pay off. Then, in terms of the rest of the plan, which is, obviously, improve packaging, improve quality, improve innovation and advertising, it's on its way, so more to come probably in Q2 and Q3.

Steve Strycula:

Okay, and then a quick follow-up on the EBITDA bridge that you guys outlined today. Should we think about—is there any synergy factored into that assumption net of the investment spend you would put behind those brands? So, again, maybe cost synergies net of the advertising spend you'd put back into the brands, is any of that baked into guidance, and I'll pass it on?

Samy Zekhout:

Yes, Steve, it is baked into the guidance.

Operator:

We'll take our next question from John Baumgartner with Wells Fargo.

John Baumgartner:

Good morning, and thanks for the question.

Stéfan Descheemaeker:

Hi, John.

John Baumgartner:

Samy, I'd like to drill into the outlook for the 2019 EBITDA a bit more broadly, because I think we've been expecting another step-up in brand investment for the portfolio, and obviously the Brexit contingencies are there, as well, so could you maybe just outline where you see the margin support in terms of synergies versus lean manufacturing versus shared services, or anything else going on there, just kind of your progress overall?

Samy Zekhout:

Yes, as I mentioned in the remarks, we are expecting, effectively, margin growth over the year. The one element about the investments that we are carrying now in the portfolio is we are really building up on the synergies and the cost saving program that we have put in place in order for us to extract funding to self-fund our intervention, and the source of funding are around leveraging, if you want, our strategies as defined. For instance, net revenue management is definitely providing an upside in many areas, whether it is going to be about pricing, whether it's going to be about mix, which we then can use to reinvest. Supply chain productivity is another one. The other piece is we continue reinforcing the area of indirect, where we now have the ability to implement some important projects that are, effectively, fueling again to the growth through efficiency that we are now generating.

John Baumgartner:

Okay. Then, Stéfan, just to follow up, I also wanted to touch on the agreement with Ocean Beauty for the U.S. market. Can you go into the details there on that a bit, just in terms of entering with Findus into food service and moving on from there? I guess in terms of the numbers, I mean, how do you think about profitability in the U.S. versus Europe, and I guess also to what extent is the distribution factored into your organic revenue for 2019?

Stéfan Descheemaeker:

Let's face it, it's a starting point. The Findus brand is a global brand, which is good news. It apparently has good recognition in the U.S. It's going to be, obviously, priced—you know, it's going to be well priced, more as a good, high-quality product. For the rest, quite frankly, John, it's too early to say. I would say it's an early investment in the U.S., which is a huge market, and so at this stage, you know, I wouldn't take too much out of this. It's an encouraging start, but much more to be done on this. For us, in terms of export, the U.S. is one piece. We also believe that we have a lot to do in some of our neighboring countries, like Central and Eastern Europe, where things like the Captain, for example, has a high recognition, and potentially also Middle East. So, again, back to exports, we also are trying very hard to focus beyond a limited number of countries, which was, for me, not what it was in the past.

John Baumgartner:

Excellent. Thanks for your time.

Stéfan Descheemaeker:

You're welcome.

Operator:

We'll take our next question from Jon Tanwanteng with CJS Securities.

Jon Tanwanteng:

Good morning, gentlemen, and a very nice quarter.

Stéfan Descheemaeker:

Thanks.

Jon Tanwanteng:

Maybe to start, within your guidance, how much impact are you expecting from a no-deal Brexit?

Stéfan Descheemaeker:

At this stage, zero. Basically, it's impossible to have a clear definition of what it is going to be. As I said, even the politicians, they have no clue. We're working very hard, obviously, in terms of what this will entail, and all these things. What we know, which is good news, is our model provides us with the right level of agility and flexibility to move within the next two years to fully adapt ourselves to whatever a no-deal Brexit could be, and in terms of price, in terms of footprint, in terms of dealing with co-packers, and all the rest of it. So, level of preparedness for the near term is high, that's very clear. Priority number one for us is to make sure that all our customers are not going to be—that we're going to be able to supply them, and so we've added a significant number of weeks ahead of what we already have, so additional inventory. Don't be disappointed by the end of the quarter if inventory is increasing, so the working capital obviously will have to adapt itself, but we're doing this for the right reasons.

Jon Tanwanteng:

Got it, that's helpful. Then, any color on Q1 sales, now that we're two months in? How are the markets doing? Are new products being accepted in the market?

Stéfan Descheemaeker:

It's in line with our expectations at this stage and in line with our algorithm.

Jon Tanwanteng:

Okay, that's helpful. Then, finally, just a little more color on the pipeline and your capacity for acquisitions now? You've been working your leverage down very nicely. How do the valuations and the number of opportunities look in the pipeline compared to, say, 90 or 100 days ago?

Stéfan Descheemaeker:

To your point, in terms of ratio, we're moving in the right direction, 3.8 is fine, so we know that we'll be significantly lower by the end of the year, which is good, which again recreates the additional M&A opportunities for us. This being said, we will keep our discipline, and so the first piece for us is organic growth and second is, obviously, synergy—let's say, acquisitions need to be fully in line with our strategy, and priority number one is to reinforce our position as the leader in the frozen food industry in Europe.

Jon Tanwanteng:

Great, thanks a lot.

Operator:

We'll take our next question from Bill Chappell with SunTrust.

Grant O'Brien:

Hi, this is actually Grant on for Bill. Thanks for taking the question. I was just wondering, on the innovation and the consumer that's kind of been buying the innovation, especially the vegetable and plant-based protein, are you finding that that's a consumer that's bought your brands in the past, is that someone that's new to the frozen category? I guess I'm trying to get are those kind of incremental sales to your other branded sales or is that somebody maybe switching to a different option?

Samy Zekhout:

I think the answer is that it is going to be both, I would say. We definitely are, let's say, innovating to target new users. Attracting new users is going to be very important, and particularly millennials that are very interested by all of these new vegetable forms, and that's going to be really one of the areas of focus. The other element is effectively for our existing user base, is provide them with a broader range of the portfolio. They like our brands, they consume our brands, and we have a wider range, and I think it's good for them to have access to a broader range.

Grant O'Brien:

Got it, and then I guess just one other question on kind of the commodity outlook. Obviously, you've said fish is up this year. Is that specific to certain species, is that across the board, and any other outlook to maybe the crop so far this year? Thank you.

Stéfan Descheemaeker:

Yes, it's across the board, as most of the species are up on fish.

Grant O'Brien:

Got it. Thank you.

Operator:

We'll take our next question from Robert Moskow with Credit Suisse.

Robert Moskow:

Hi, thank you, and congrats on a great year.

Stéfan Descheemaeker:

Thank you.

Robert Moskow:

I think in your opening remarks you said that list prices are in place now, list price increases are in place starting in first quarter, but then I think you also said that discussions are ongoing with retailers regarding price. Does that mean that you are looking at taking more pricing during the course of the year; and, I don't know, maybe you've touched on this already, but is there a lag in first quarter between price and inflation, and when do you do think that lag would be caught up?

Stéfan Descheemaeker:

Thank you, Robert. Maybe I wasn't clear enough, actually, sorry for this. So overall, we are, let's say, in line with our expectations, and our expectations is in that in some countries we will have all our price ready by the end of the year, even before, and in some other countries, you know, it will take more time. Structurally, that's already the same in Europe. So, you have countries, like U.K., which you can put it in place, as I said, in Q4, and in countries like France, for example, structurally, you have to wait until the very end of Q1, which is what we have. But, overall, we're very much in line with our expectations. We're getting there, overall. Some countries, obviously, went faster than expected, some others were slower than expected. But, yes, I think it's in line with expectations. What's important to say, in the countries where we already put some prices, let's say, again, early signals, and you can imagine it's something that we are monitoring very closely. We're checking the price elasticity, it seems to be moving in the right direction, but, again, too early to say, and absolutely crucial for us.

Robert Moskow:

Okay. So, as we try to model your gross margin, and I know there's some noise with the acquisition which is dilutive, should we assume that, I don't know, that your gross margin eventually catches up and levels out, because it looks like you have a couple of factors in the first couple of quarters that are diluting it, and then does it catch up eventually, and then if so, should we then be modeling most of the leverage from the SG&A line to get to your 8% to 10% EBITDA growth?

Samy Zekhout:

Yes, I can take this one. The fact that a particular gross margin overall dilution for the year will be up, and in total, it's going to be up for the base, actually, just to be very clear. In total, our gross margin in half one will be down in total and it's going to be up in half two, and you're going to see the effect of the acquisitions paying off—I mean, from that perspective, the mix driven by the acquisitions.

Robert Moskow:

Okay, understood. Thank you very much.

Samy Zekhout:

You're welcome.

Operator:

And once again, that is star one to signal for a question. We'll take our next question from Brian Holland with Consumer Edge Research.

Brian Holland:

Thank you. Good morning, good afternoon where you are. A quick housekeeping question on the uptick—forgive me if you touched on this earlier—in finance costs in Q4. What was that tied to?

Samy Zekhout:

It's primarily due to phasing of accounting, and that's probably it, I mean, overall. So, nothing to be concerned for the year ahead.

Brian Holland:

Okay, perfect, thank you. Most of my questions have been answered, but I did want to ask a follow-up around the pricing component on the fish side. Is it too early, or do you have a sense, is the competitive landscape fairly in lockstep with you with respect to what they're pushing through, such that you're pretty comfortable with where you're positioned on the other side of that? Is it fair to assume everyone's moving with you guys directionally?

Samy Zekhout:

The answer is yes, because everybody is confronted with the same issue, which is obviously price—I mean, COGS increasing.

Brian Holland:

Okay, and last one for me. On the plant-based side, which seems to have been a really successful launch for you, I'm just curious, what's the competitive landscape there like? Are you a first mover kind of in the sub-segment that you're playing in there, how crowded is that, and how much room do you feel like you have to expand overtime in that meat state, if you will?

Stéfan Descheemaeker:

Actually, we definitely believe that it is a category that has a great future, that's one thing, Definitely, our brands will play well with this category, together with our distribution, obviously, and when you think about it, you know, plant protein, which is even better—it's a pea protein for us, which I would argue is even better than some other vegetables. We're definitely very confident that even if—and to your point, a lot of people are starting to get in, we have what it takes to be the number one in the category. And it plays all the right strengths, you know, in terms of health and wellness, sustainability, and all these things, together with frozen food, by the way.

Brian Holland:

Understood. Thank you.

Stéfan Descheemaeker:

You're welcome.

Operator:

That concludes today's question and answer session. At this time, I would like to turn the call over to Mr. Stéfan Descheemaeker.

Stéfan Descheemaeker:

Thank you for joining us on the call today to review our fourth quarter and full year results. We're pleased to have reported a second consecutive year of growth and have an ambitious agenda ahead of us in 2019 to continue our journey. Thanks to the investment that we've been making in our brands and the collective efforts of our nearly 5,000 employees, I'm proud to say that we are well positioned to deliver another year of outperformance in line with our long-term growth algorithm. Thank you, and I look forward to updating you on our first quarter results in May.

Operator:

This concludes today's call. Thank you for your participation. You may now disconnect.