

## Exit Greencore: Railway pay offer rejection poses more risks

<b>Company:</b>	Greencore (GNC LN)	<b>Market Cap:</b>	£410mio
<b>Industry:</b>	Food-to-go, sauces	<b>Net Debt:</b>	£180mio (excl. leases)
<b>Country:</b>	UK	<b>Revenue:</b>	£1.74bn
<b>Date:</b>	14 <sup>th</sup> February 2023	<b>Net Income:</b>	£45.8mio (2.6%)
<b>Dividend:</b>	£15mio share buyback (4.6%)	<b>Free Cash Flow:</b>	£58.7mio (3.4%)
<b>Entry:</b>	£350mio	<b>Exit:</b>	£430mio

### RMT rejects pay offer of 9% over two years

Although my latest historic comparison of the 1970s and the [Saltley Gate](#) pointed towards continued strike action, I was somewhat surprised by RMT's rejection<sup>1</sup> of the latest pay offer for the Network Rail and train operating companies. There were indications that members were keen to receive the pay rise, especially in light of falling inflation. At least there was some kind of expectation that the Network Rail would accept the offer, which would then have put pressure on the train drivers. However, members were not allowed to vote and the decision to reject the offer was done mostly at management level. The Telegraph suggest that Mick Lynch is "taking hostage" by the roughly 450 branch leaders that call for a "suppression of the capitalist system by a socialistic order of society" and want weekly strikes on every Saturday<sup>2</sup> – which sounds eerily familiar to Arthur Scargill's leftwing strike motives in the 1970s.

### Impact on Greencore

CEO Dalton Philips has indicated at the AGM that the December/January rail strikes cost the company £4-5mio in operating profit. This has already led the company to guide towards the lower end of full year expectations. New railway strikes dates are set to be voted on 15<sup>th</sup> February (tomorrow). Due to the rejection of this relatively generous offer, I would expect that the number of strike dates is set to increase

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<sup>1</sup> <https://www.rmt.org.uk/news/rmt-rejects-rail-industry-offers/>

<sup>2</sup> <https://www.telegraph.co.uk/business/2023/02/13/rmt-seeking-bring-capitalism-rail-strikes-leak-reveals/>

now. But not everyone is happy with the rejection. In fact, a few members called out the RMT on Twitter saying that a majority would have voted in favour of the offer<sup>3</sup> and felt like striking was not working. If inflation continues to decline, as most believe it will (especially after the US is going to release more oil from the SPR<sup>4</sup>), the RMT union might lose support from their members, which then in turn could lead for a major repricing for Greencore's valuation to the upside. At this point, the risks appear too high for me and this is why I have taken profits on the position. On a positive note, TUI announced record bookings for the summer season exceeding 2019 volumes and prices<sup>5</sup>, which in turn could help Greencore perform strongly during this crucial period.

#### Twitter response to RMT by union members



**Jon Gambling**  
@WiltshireLad85

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Replying to @RMTunion

This was the wrong decision. It wasn't put to the members and only discussed by the reps. A majority of people in my place of work wanted it accepted, but we were not even given that option. There won't be a better offer. A lot of people are starting to lose faith with the RMT

4:25 PM · Feb 10, 2023 · 4,219 Views



**RPS** @RobertSweetin13 · Feb 10

...

Replying to @WiltshireLad85 and @RMTunion

The impression I got from the two online meetings of members was that yes it should be rejected but the overall majority felt striking isn't working and we're preferring a overtime ban.

If strikes are called next week people will break the strike and return to work on mass



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6



667



Source: Twitter



<sup>3</sup> <https://twitter.com/WiltshireLad85/status/1624082039388381186>

<sup>4</sup> <https://www.reuters.com/business/energy/us-sell-26-mln-bbls-oil-reserves-mandated-by-congress-2023-02-13/>

<sup>5</sup> <https://www.londonstockexchange.com/news-article/TUI/tui-ag-interim-report-q1-2023-1-october-2022-31-december-2022/15835554>

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