PREMIER FOODS

Preliminary results for 52 weeks ended 31 March 2018

15 May 2018

KEY STRATEGIC INITIATIVES DRIVE STRONGEST REVENUE GROWTH FOR OVER FIVE YEARS

PREMIER FOODS

+3.6%	+5.3% / +7.0%	£123m / +5.1%	£496m / ↓£27m	3.56x
Full Year Revenue growth	H2 & Q4 Revenue growth	Trading profit	Net debt	Net debt/EBITDA

"Our growth this year has been led through leveraging our strategic partnerships, driving double-digit growth in our International markets and supported by our innovation strategy"

Alastair Murray
Chief Financial Officer

GROUP HEADLINE RESULTS

Revenue growth of +3.6% and £6m Trading profit progression

£m	FY17/18	FY16/17	Change (%)	Q4 Change (%)
Branded sales	**670**	**659**	**1.6%**	**5.6%**
Non-branded sales	149	131	13.9%	15.3%
Total sales	**819**	**790**	**3.6%**	**7.0%**
Divisional contribution	**156**	**150**	**4.1%**	
Group & corporate costs	(33)	(33)	(0.4%)	
Trading profit	**123**	**117**	**5.1%**	
Trading profit %	*15.0%*	*14.8%*	*+0.2ppts*	
EBITDA	**140**	**133**	**4.8%**	
EBITDA %	*17.0%*	*16.9%*	*+0.1ppts*	

- Revenue growth accelerated in second half to +5.3%
- Non-branded sales continue to perform strongly, split between Grocery (including Knighton) and Sweet Treats
- Gross margins returned to similar prior year levels in fourth quarter
- Trading profit progress reflects disciplined focus on cost efficiency and benefits of revenue growth

GROCERY

Sales growth of +4.6% with momentum building

£m	FY17/18	FY16/17	Change (%)	Q4 Change (%)
Branded sales	**498**	**482**	**3.4%**	**7.8%**
Non-branded sales	91	81	12.1%	18.5%
Total sales	**589**	**563**	**4.6%**	**9.4%**
Divisional contribution	**130**	**130**	**0.1%**	
Divisional contribution %	*22.1%*	*23.1%*	*(1.0ppts)*	

- A slow start to the year followed by good & consistent revenue growth in quarters 2-4
- Grocery categories benefitted from colder weather in Quarter 4
- Batchelors a stand out performer with revenues +10% following successful innovation programme, supported by Nissin capabilities
- Divisional contribution in line with last year:
  - Pricing recovery of input cost inflation
  - SG&A cost saving benefits
  - Knighton performance adverse but improving trend through second half of the year

SWEET TREATS

Margins return to double digit % and revenue growth of +1.2%

£m	FY17/18	FY16/17	Change (%)	Q4 Change (%)
Branded sales	**172**	**177**	**(3.2%)**	**(0.3%)**
Non-branded sales	58	50	16.9%	5.1%
Total sales	**230**	**227**	**1.2%**	**0.5%**
Divisional contribution	**26**	**20**	**30.3%**	
Divisional contribution %	*11.2%*	*8.7%*	*+2.5ppts*	

- Mr Kipling sales lower in first half but returned to growth in Q4
- Sales of Cadbury cake impacted by short term capacity constraints
- Non-branded sales increased in both seasonal and non-seasonal products
- Growth in Divisional contribution due to lower SG&A costs following rationalisation programme and reduced levels of consumer marketing across the year
- DC margin % back to FY15/16 levels

OPERATING PROFIT

12.7% higher than prior year following lower restructuring charges

£m	FY17/18	FY16/17	Change (%)
Trading profit	**123**	**117**	**5.1%**
Amortisation of intangible assets	(36)	(38)	4.2%
Foreign exchange fair value movements	0	(1)	-
Restructuring costs	(9)	(16)	46.2%
Net interest on pension and administration costs	(2)	(0)	-
Operating profit before impairment of goodwill and intangible assets	**76**	**62**	**23.3%**
Impairment of goodwill and intangible assets	(7)	-	-
Operating profit	**69**	**62**	**12.7%**

- Amortisation of intangible assets slightly lower than prior year
- Restructuring charges primarily due to transition costs associated with logistics transformation programme
- Impairment refers to write off of Knighton goodwill and Lyons cakes brand carrying values

ADJUSTED EARNINGS PER SHARE

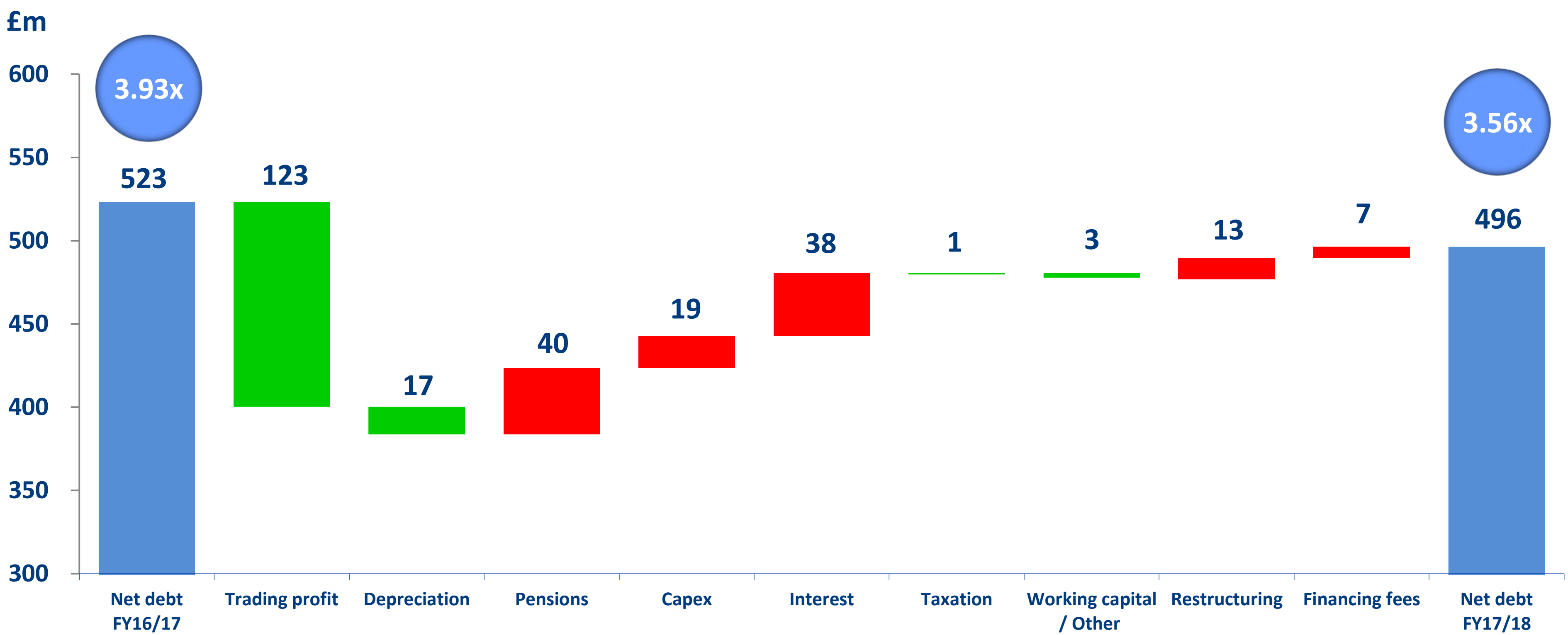
Eps growth of 6.4% as adjusted PBT ahead +5.9%

£m	FY17/18	FY16/17	Change (%)
Trading profit	**123**	**117**	**5.1%**
Net regular interest	(44)	(43)	(3.6%)
Adjusted PBT	**79**	**74**	**5.9%**
Notional tax @ 19%/20%	(15)	(15)	0.6%
Adjusted earnings	**64**	**59**	**7.2%**
Weighted average shares in issue (million)	836.8	830.1	
Adjusted earnings per share (pence)	**7.6p**	**7.2p**	**6.4%**

- Net regular interest slightly ahead of expectations due to lower average debt levels
- Adjusted PBT ahead of expectations
- Adjusted earnings up +7.2% at £64m

NET DEBT BELOW £500m – A REDUCTION OF £27m

Net debt/EBITDA now 3.56x



- EBITDA just under £140m
- Interest slightly lower than expectations due to lower average debt levels
- Capex also at lower end; medium term guidance of £20-25m per annum unchanged

COMBINED PENSION SCHEMES – ACCOUNTING BASIS

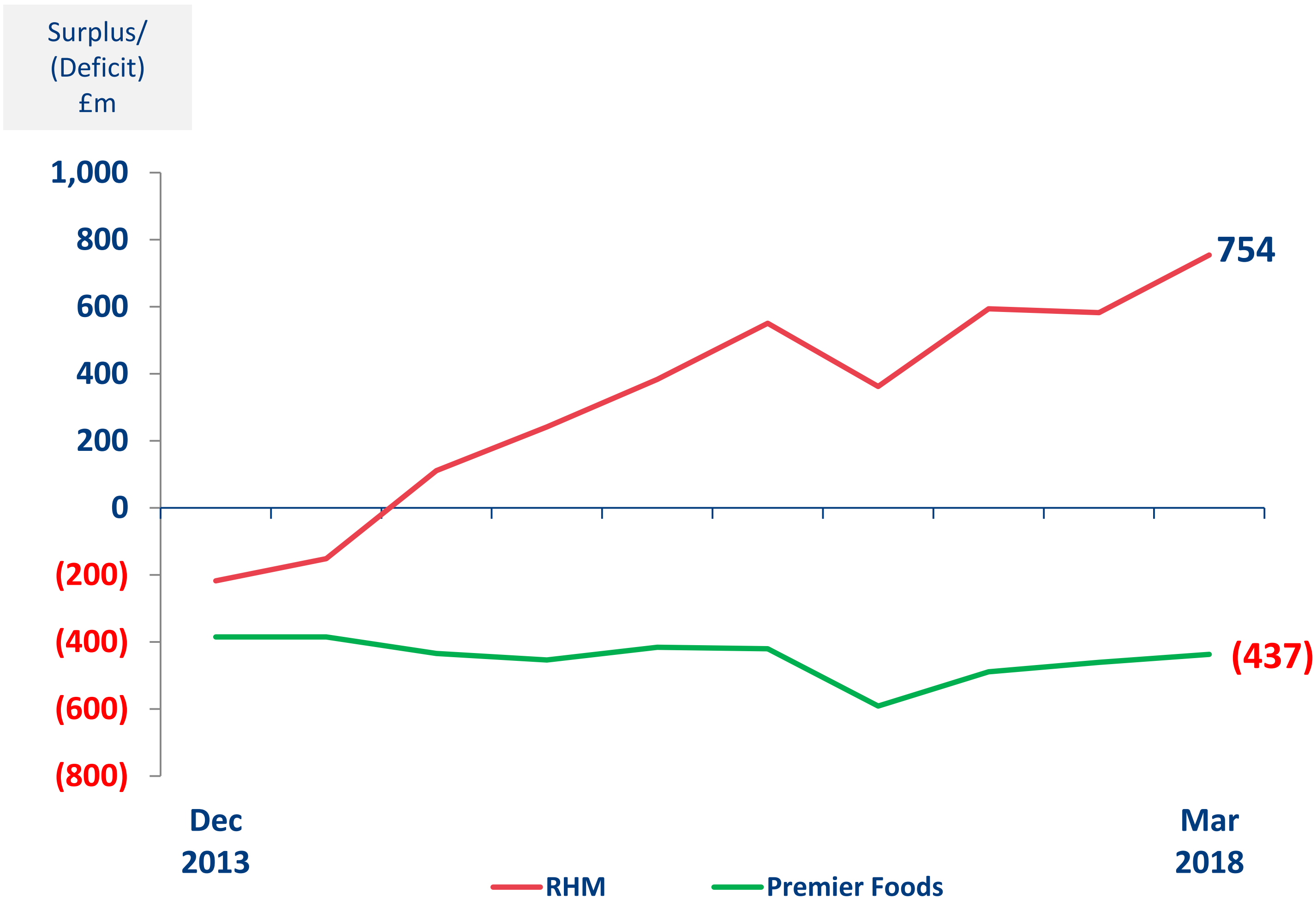
Aggregate surplus increased to £317m

IAS19 Accounting valuation (£m)	31 March 2018			1 April 2017		
	RHM	Premier Foods	**Combined**	RHM	Premier Foods	**Combined**
Assets	4,185	679	4,864	4,191	674	4,865
Liabilities	(3,431)	(1,116)	(4,547)	(3,597)	(1,163)	(4,760)
Surplus/(Deficit)	**754**	**(437)**	**317**	**594**	**(489)**	**105**
Surplus/(Deficit) net of deferred tax (Tax @ 17.0%)	**626**	**(363)**	**263**	**493**	**(406)**	**87**
Discount rate	2.70%	2.70%	2.70%	2.65%	2.65%	2.65%
Inflation rate (RPI)	3.15%	3.15%	3.15%	3.30%	3.30%	3.30%

- Liabilities lower due to slightly higher discount rate and lower inflation rate driving increase in combined surplus
- NPV of future pension deficit payments remains unchanged at £300-320m

PENSION SCHEMES VALUATION EVOLUTION

Position of principal schemes stable and improving



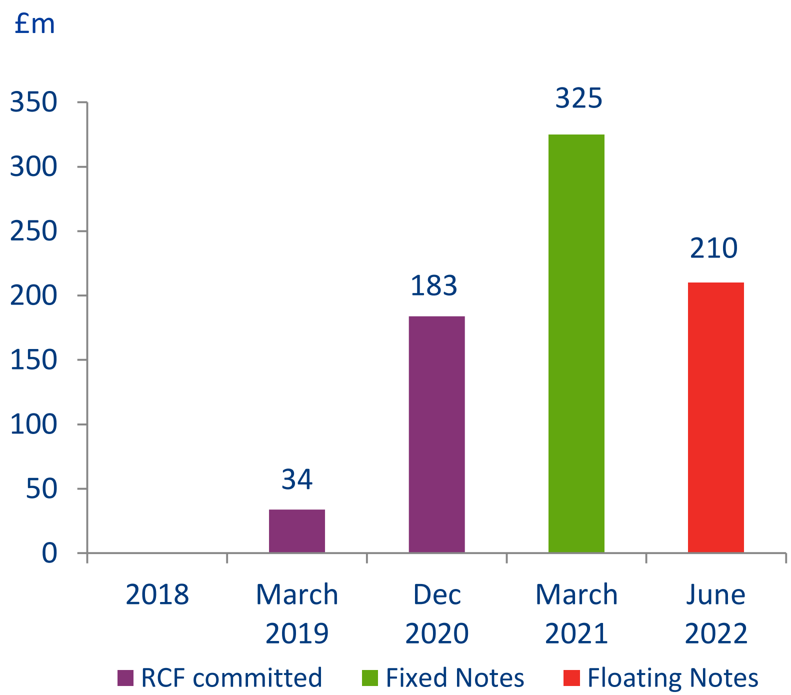
FY18/19 CASH GUIDANCE

FY18/19 guidance	£m
Working capital	Slightly negative
Depreciation	£16-£18m
Capital expenditure	Maximum £22m
Interest – cash	£38-£42m
Interest – P&L	£43-£47m
Tax – cash	Nil
Tax – notional P&L rate	19.0%
Pension deficit contributions	£35m
Pension administrative & PPF levy cash costs	£6-£8m
Cash restructuring costs	c.£8m
Financing fees	c.£7m

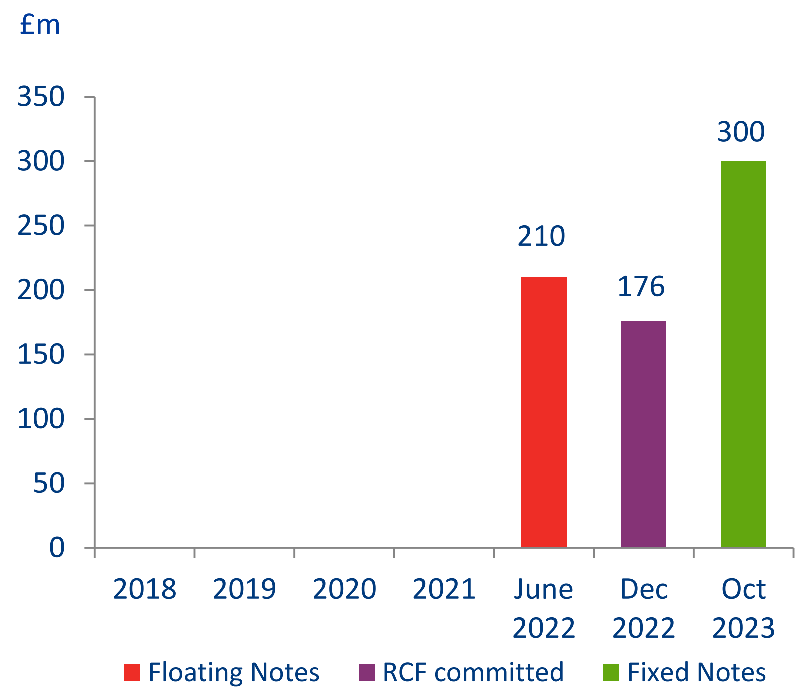
PROPOSED CAPITAL STRUCTURE UPDATE

£300m Fixed rate note issuance and RCF extension to December 2022

Current debt maturity profile



Proposed debt maturity profile



- Appropriate liquidity and a comfortable maturity profile post the refinancing
- First maturity in June 2022
- Total committed RCF £176m following refinancing

Gavin Darby
Chief Executive Officer

Operational review

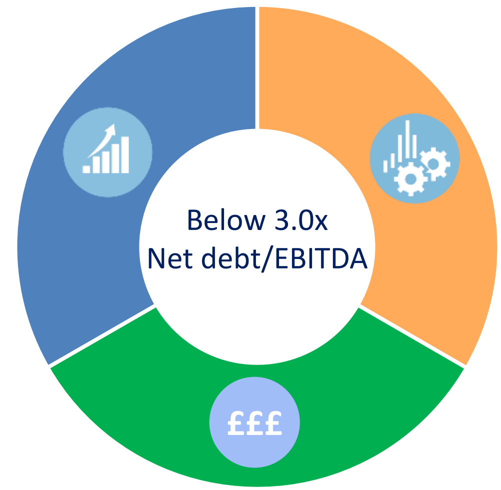
STRATEGY TO DRIVE REVENUE GROWTH AND DELIVER COST EFFICIENCIES TO GENERATE CASH

1 Drive revenue growth

1. UK – Innovation through insights; growing to 10% of branded sales
2. UK – Strengthen well established customer relationships
3. International – strong double digit growth through new & existing markets
4. Strategic Partnerships – Nissin and Mondelez International

2 Cost control & efficiency

1. Logistics restructuring programme
2. Manufacturing cost savings programmes
3. Capital projects
4. Holistic margin management
5. Maintain SG&A % sales



3 Cash generation £££

1. Tightly focused capital expenditure
2. Maintain affordability of pension deficit contributions
3. Disciplined working capital management

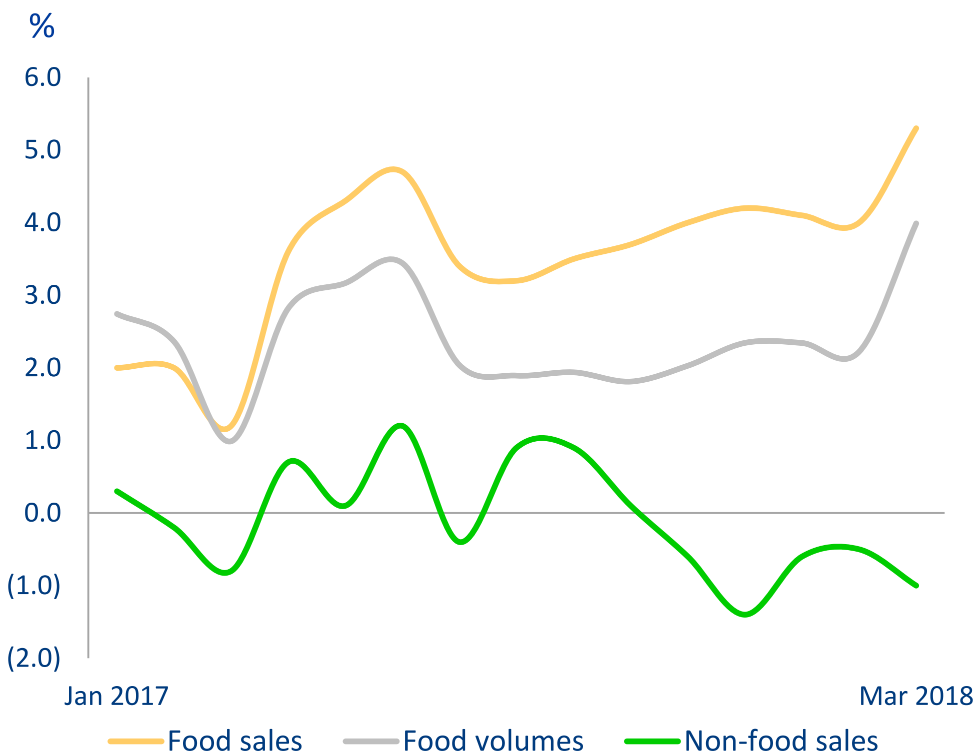
Targeting below 3.0x Net debt/EBITDA by March 2020

Corporate Responsibility and Sustainability

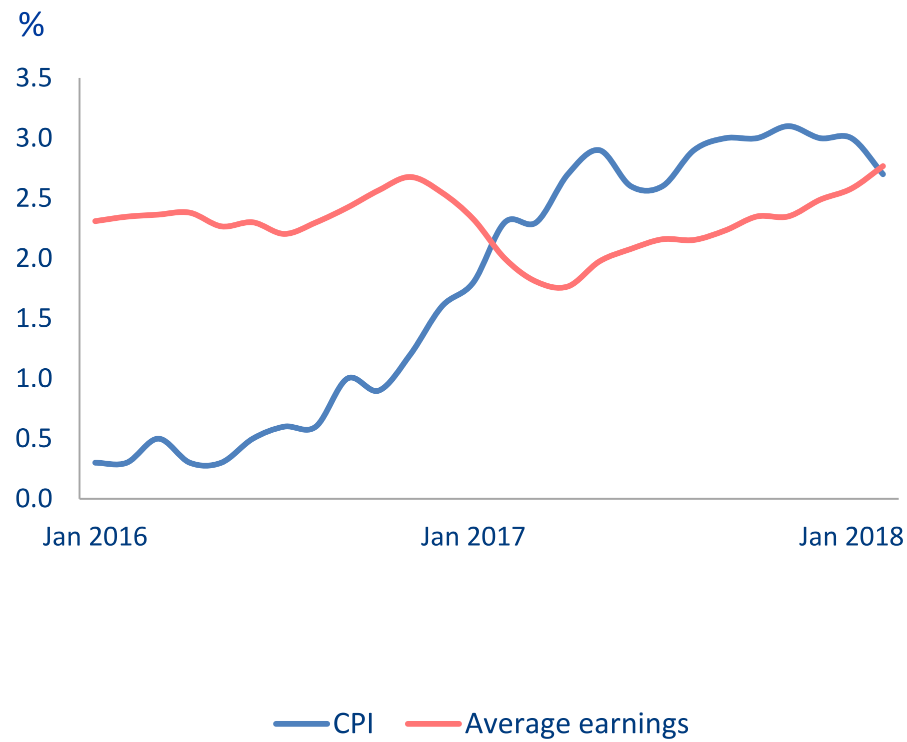
INDUSTRY CONTEXT

UK food sales displaying consistent growth and earnings gap narrowing

Food sales buoyant vs Non-food sales

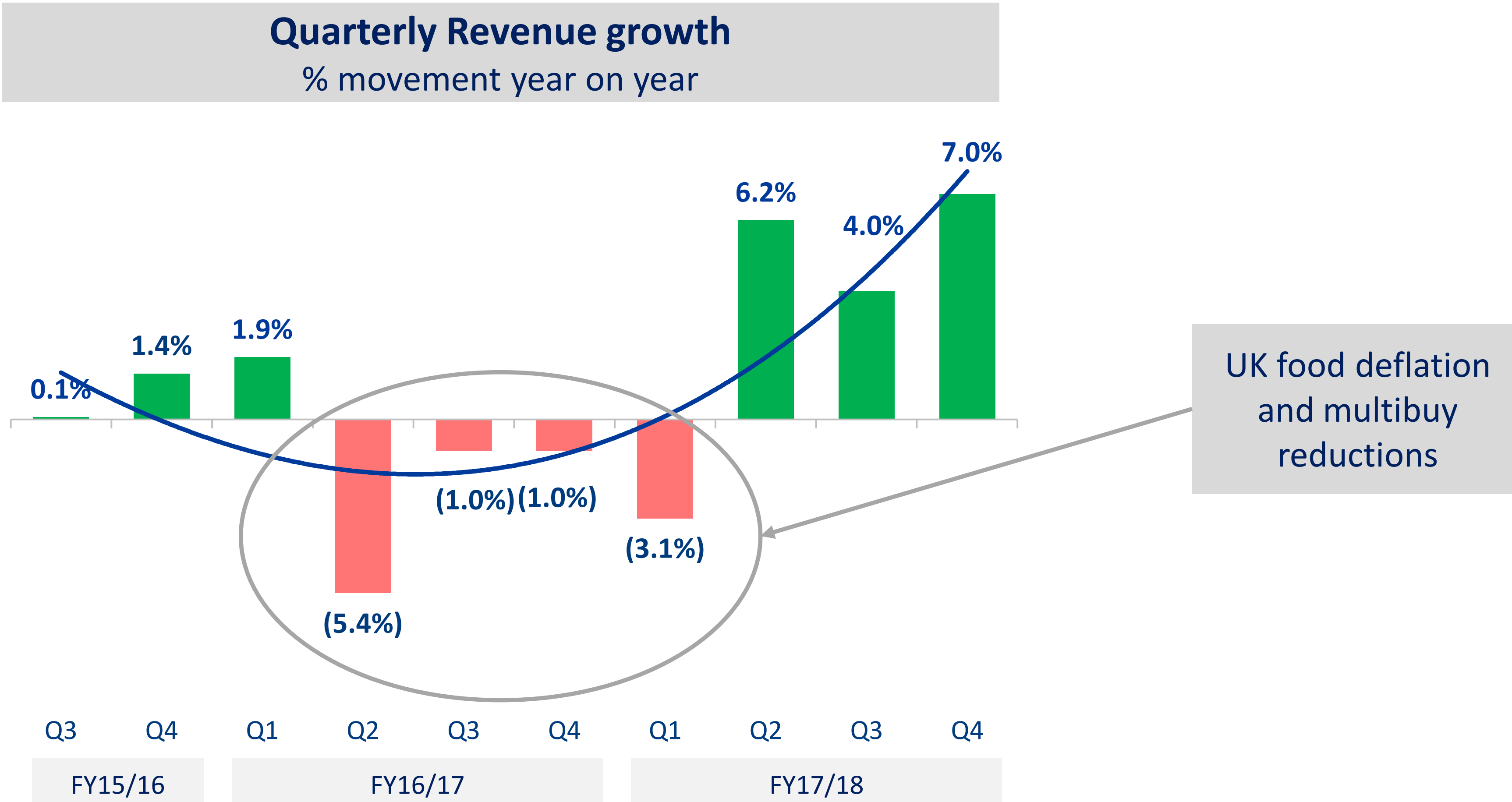


Average earnings gap narrowing



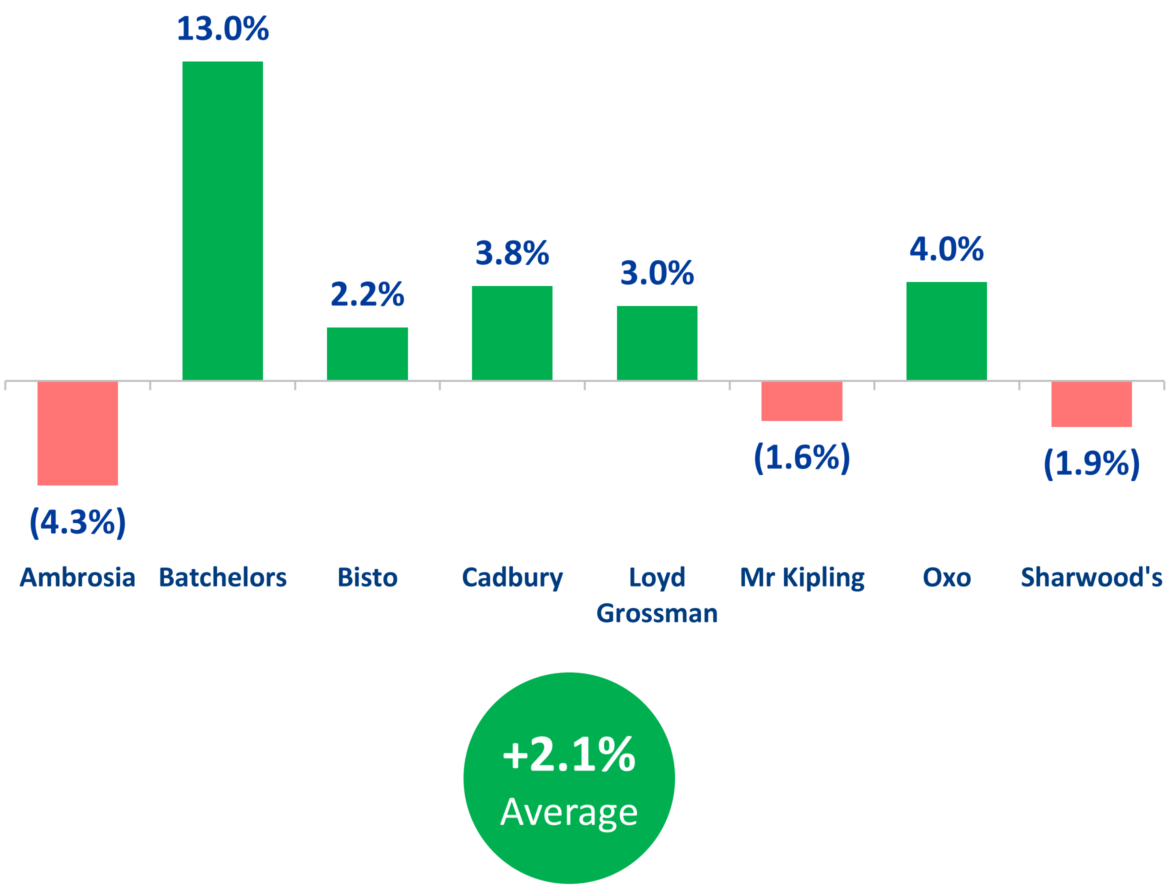
Sources: British Retail Consortium, March 2018; ONS

STRONG QUARTERLY MOMENTUM BUILDING



OUR TOP 8 BRANDS GREW BY 2.1% ON AVERAGE IN H2

H2 Revenue growth
% movement year on year



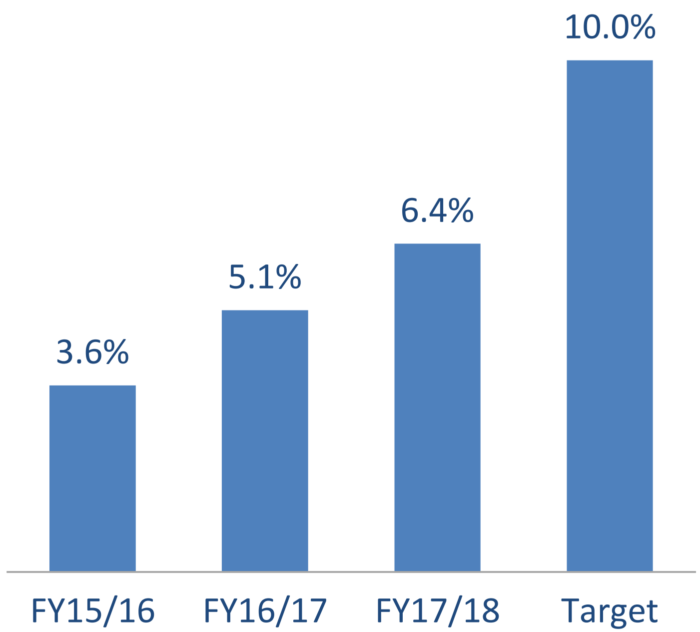
- Batchelors growth entirely innovation led
- Ambrosia sales lower following move to less deep promotional activity
- Mr Kipling returned to growth in Q4
- Sharwood's performance reflects highly competitive category

INNOVATION LED GROWTH

All our new product innovation is aligned to consumer trends

Innovation as % UK branded sales

Targeting 10% of UK branded sales



Key consumer trends

- Health & Nutrition
- Convenience
- Snacking/On the go
- Indulgence

For definitions, see appendix

INNOVATION ALIGNED TO CONSUMER TRENDS

Health & Nutrition a key opportunity

PREMIER FOODS

Health & Nutrition

Lower calories, Green traffic lights, Gluten free

- Mr Kipling fruit slices
  - Average 92 calories per slice
- Sugar reformulation high priority
- Committed to 1,000 tonnes sugar reduction end '18
- Batchelors Pasta 'n' Sauce Cheese & Broccoli:
  - Only 247 calories & 3 out of 4 traffic lights green
- Ambrosia pots 30% less sugar
- Bisto & Paxo Gluten free ranges to be extended

Convenience

Bisto, Oxo and Batchelors

- Bisto & Oxo grew revenue and share points in FY17/18, supported by innovation
- Batchelors fastest growing brand in the portfolio
- FY18/19 new ranges:
  - Cup a Soup to go pots
  - Batchelors Super Rice n Sauce pots

INNOVATION ALIGNED TO CONSUMER TRENDS

Our portfolio well placed to bring more relevant consumer choices

PREMIER FOODS

Snacking/On the go

Angel Delight & Mr Kipling Flapjacks

- Angel Delight
  - +11% revenue growth in FY17/18 driven by ready to eat pots launched in year
- Mr Kipling Flapjack
  - Focuses on the convenience and out of home markets

Indulgence

Ambrosia and Cadbury cake

- Ambrosia deluxe pots
  - Deluxe Belgian Chocolate Custard
  - Deluxe Salted Caramel Rice
- Cadbury Heroes cup cakes
  - Crunchie, Flake and Caramel flavour indulgent Cadbury cupcakes

BATCHELORS CASE STUDY

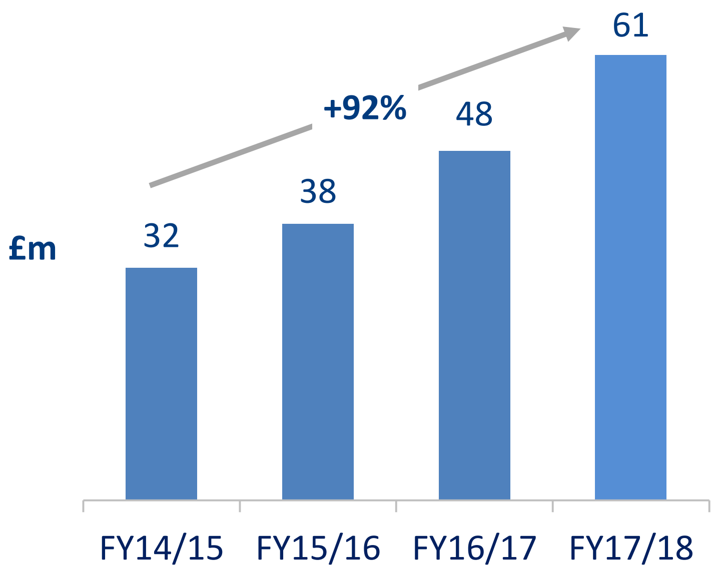
The Group's fastest growing brand

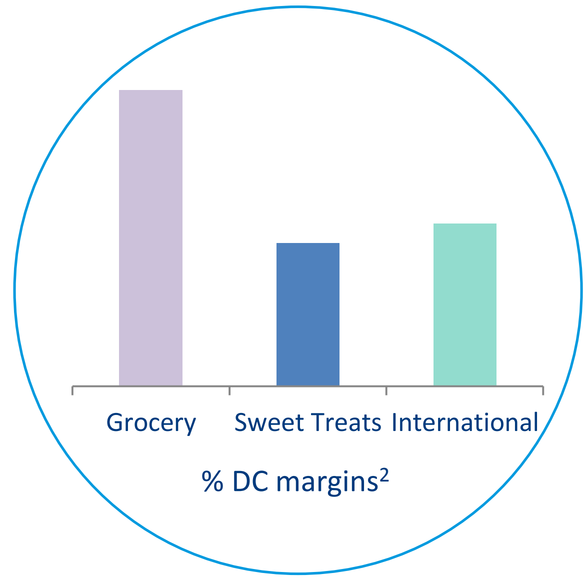
Batchelors

3 years ago	Yet we had	We then added	Today
↓(12%) Revenues falling	50% Penetration	Nissin expertise	+11% FY revenue growth
Required modernising	30% Market share	Consumer insights	Modern ranges

INTERNATIONAL IS A SUBSTANTIAL GROWTH DRIVER

Revenues nearly doubled over last 3 years; further progress expected





- Revenue grew 25%[1] in full year to over £61m and by 34%[1] in Q4
- Represents compound annual growth rate of 24% over last 3 years
- International revenue now 7.5% of Group revenue
- Expectations for strong double digit revenue growth unchanged
- Team expanded to 43 colleagues from just 9 three years ago

1 – Stated at constant currency; 2 - Grocery DC margins illustrated exclude International

INTERNATIONAL HIGHLIGHTS

Another excellent year in Australia and return to growth in Ireland

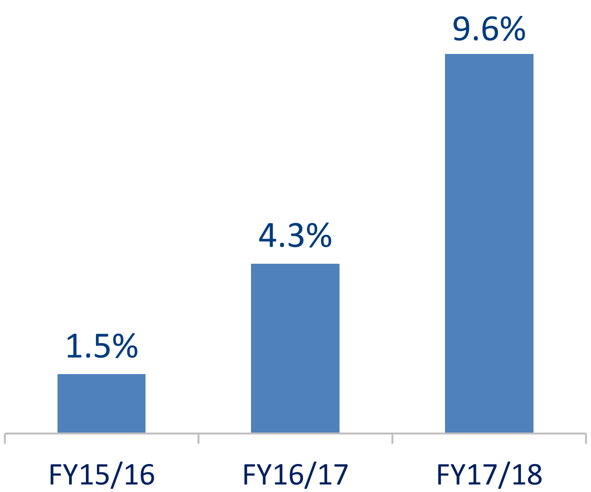
PREMIER FOODS

Australia

- Cake continues to drive strong growth
- Batchelors Soupa launched end of Q4 – 3rd category in Australia

+81% Revenue Growth

Cake market share



Cake Social Media

- Campaign reached over ¼ of Australians
- 1m consumers viewed adverts

Ireland

Major retailer category captainy & advisory

FY16/17	FY17/18
0	4

Category positions

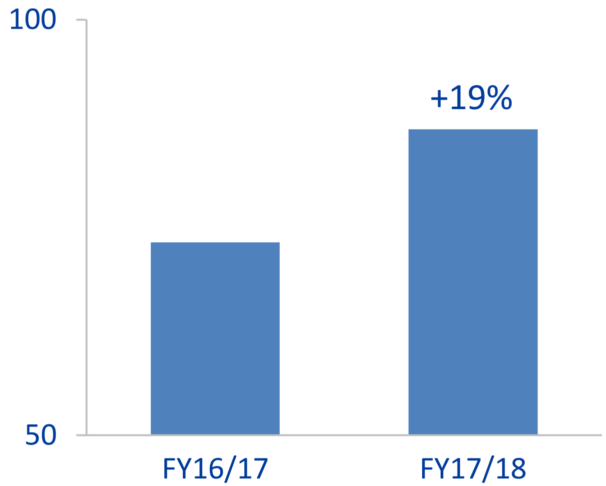
Ambient Cakes	1	Mr Kipling, Cadbury
Ambient Desserts	1	Ambrosia, Bird's
Gravy	1	Bisto
Stock	2	OXO

Source: Nielsen Australia and Ireland, 52 w/e 25 March 2018,

MONDELEZ INTERNATIONAL & NISSIN PARTNERSHIPS

Grew by 19% in FY17/18 and account for 55% of revenue growth in year

Revenue growth (£m)

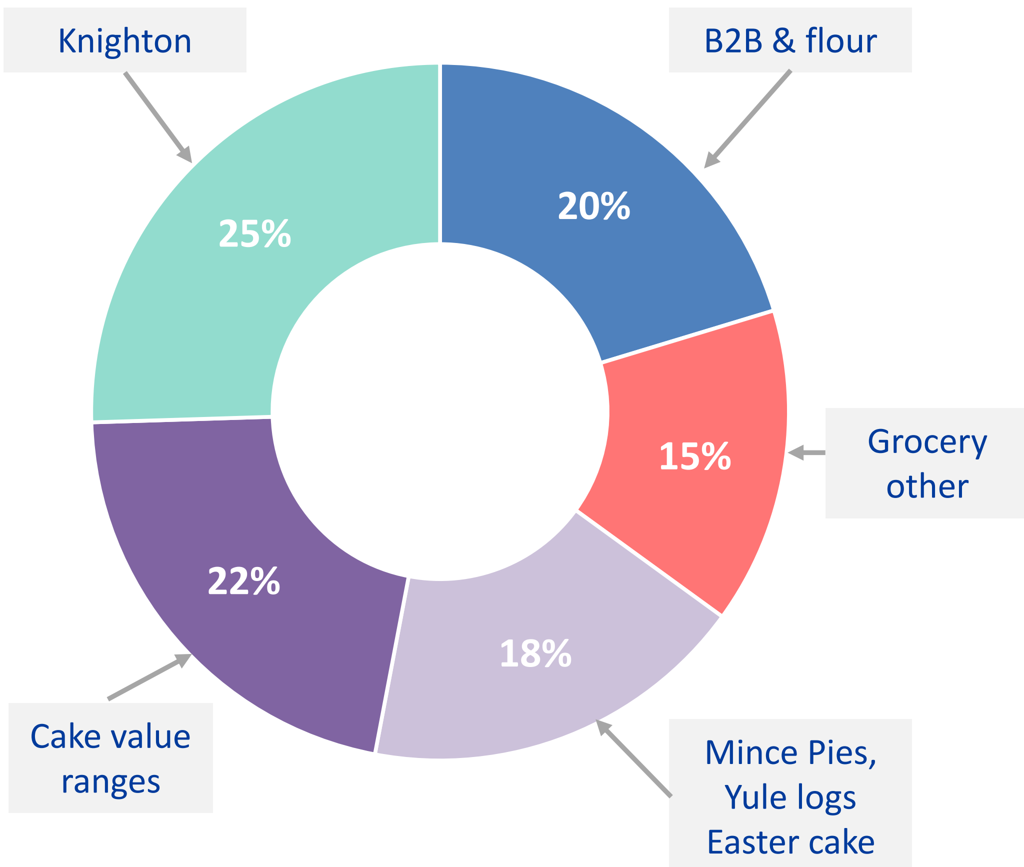


55%
of Group
Revenue growth
in FY17/18

£87m
Revenue
in FY17/18

NON-BRANDED PLAYS AN IMPORTANT AND SUPPORTIVE ROLE IN OUR BUSINESS

Non-branded revenue by type



Key principles & criteria

- Application of a Capex light approach
- To play an important & incremental role
- Assists in supporting Manufacturing overhead recoveries
- Strict financial hurdles apply for new business

FY17/18 commentary

- FY17/18 Non-branded revenue grew +13.9%:
- Sweet Treats increase due to seasonal and non-seasonal cake contract wins
- Grocery contract wins in Flour & Stuffings
- Knighton & Charnwood revenues up

COST REDUCTION & EFFICIENCY IN FY18/19

Comprehensive set of programmes in place to maintain margins

1 Logistics Transformation

- Experienced initial implementation challenges
- Phase 2 in progress
- Full realisation of benefits in FY19/20

2 Capital projects

1. Moreton
   Cadbury Mini roll capacity expansion
2. Worksop
   Additional pouch capacity
3. Stoke
   Adaption of existing manufacturing line
4. Lifton
   Various cost reduction projects

3 Holistic margin management

- Mix management
- Financial criteria on innovation projects
- Cost reduction programmes
- Optimal promotional strategy

4 Brexit

- Buy net c.€50m Euros annually
- Broad range of commodity expenditure, with relatively low single exposure
- Lower labour availability in certain areas

OUR COLLEAGUES

High quality and motivated teams

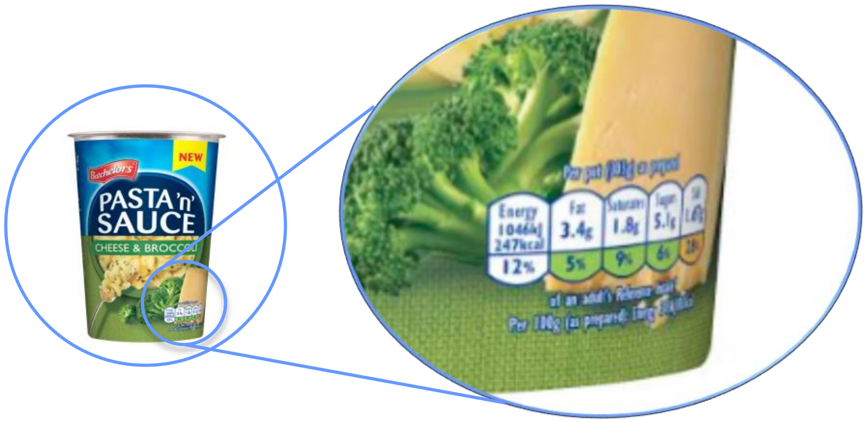
PREMIER FOODS

People	Reward	National Living Wage (NLW)
		
• Good balance of internal promotions and external recruits • Attracting high quality talent with strong backgrounds & track records • Highly effective direct internal sourcing team demonstrating high Return on Investment • Enhanced development programmes	• New bonus structure for management with greater alignment to shareholder interests • Designed to incentivise and reward high levels of performance	• Relatively low exposure to NLW legislation compared to some sector peers • Pay rates above NLW at sites with higher levels of automation • Some small impact generally limited to cake manufacturing sites

HEALTH, NUTRITION & RESPONSIBILITY

We take our responsibilities seriously and are making good progress

Calorie control



- Green traffic lights for Fat, Saturates & Sugar
- 247 calories per pot; significantly less than many pre-packed sandwiches
- Perfect quick solution for light lunch

- Mr Kipling range of Fruit slices
  - Reduced sugar
  - Average 92 calories per slice
- Committed to 1,000 tonnes sugar reduction by end 2018

Plastics

70% — Recyclable plastics used in our products

240 Tonnes — Tonnes of plastics removed over last 3 years

80 Tonnes — Further reduction commitment in 2018

<⅓ — Plastics as proportion of our total packaging materials

A STRATEGY LED BY STRATEGIC PARTNERSHIPS, INTERNATIONAL GROWTH, INNOVATION AND COST EFFICIENCY

Summary	Outlook
▪ Sales, Trading profit and Net debt progress all ahead of market expectations ▪ Revenue growth of +3.6% in the full year; best for over five years ▪ 3 consecutive quarters of growth with H2 revenue +5.3% and Q4 revenue +7.0% ▪ International revenues increased +25% and nearly doubled in 3 years ▪ Innovation strategy core to our growth strategy ▪ Strategic relationships grew 19% year on year and delivered 55% of revenue growth	▪ Expectations of further progress in FY18/19, weighted to H2 – Further growth in International – Incremental consumer marketing investment – Comprehensive cost efficiency programme – Investment in colleagues – Further Net debt reduction ▪ Strategic Net debt/EBITDA target of below 3.0x now expected to be achieved by March 2020


Angel Delight
Batchelors
NOW READY IN ONLY 5 MINUTES
Sharwood's
Ambrosia
FRIDGE PACK
Devon Custard
Cadbury Mini Rolls
I'M RICH & FAMOUS
OXO
Succulent Free-Range
NEW
NEW!
Homepride
ALL AMERICAN
NISSIN
Mr Kipling
8 FRENCH FANCIES
8 ANGEL SLICES
OXO STOCK POT
SAXA
Custard Powder
LOYD GROSSMAN
MAKES 12 STUFFING BALLS

Q&A

Appendix

CAUTIONARY STATEMENT

Certain statements in this presentation are forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Accordingly, undue reliance should not be placed on forward looking statements.

Please note that any disclosures or statements referring to pro forma results provided in this presentation have not been subject to audit or review by the Company's auditors.

DEFINITIONS

- The period ‘FY17/18’ refers to the 52 weeks ended 31 March 2018. The period ‘FY16/17’ refers to the 52 weeks ended 1 April 2017.
- The period ‘Q4’ refers to the thirteen weeks ended 31 March 2018 and the comparative period, the thirteen weeks ended 1 April 2017.
- Trading profit is defined as Profit/(loss) before tax before net finance costs, amortisation of intangible assets, impairment, fair value movements on foreign exchange and other derivative contracts, restructuring costs, and net interest on pensions and administration expenses
- Adjusted profit before tax is defined as Trading profit less net regular interest. Net regular interest is defined as net finance cost after excluding write-off of financing costs, fair value movements on interest rate financial instruments and other interest. Adjusted earnings per share is defined as Adjusted profit before tax less a notional tax charge of 19.0% divided by the weighted average of the number of shares of 836.8 million (52 weeks ended 31 March 2017: 830.1 million).
- Innovation as % sales defined as branded sales from the Grocery and Sweet Treats business units (excluding International & Knighton) from new product development and existing product development from product codes launched in the last 24 months

LEADING CATEGORY POSITIONS

Strong market shares and high household penetration

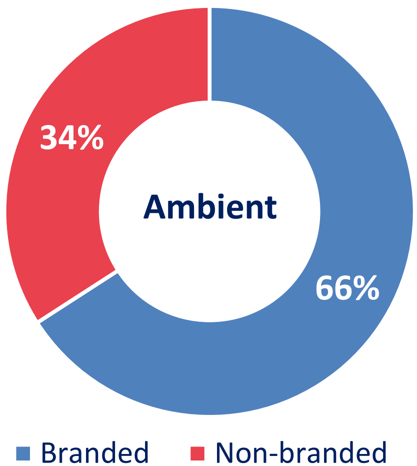
Categories

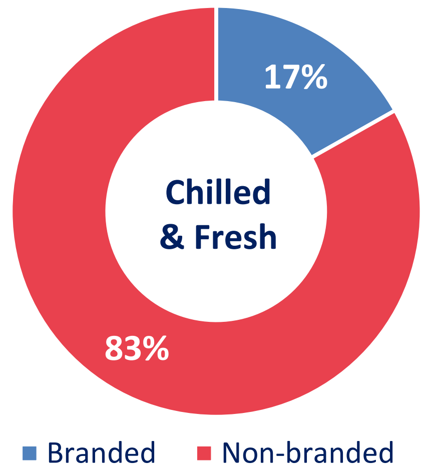
	Brands	Position	Share	Penetration
Flavourings & Seasonings	Bisto, OXO, Paxo	1	43%	74%
Quick Meals, Snacks & Soups	Batchelors, Nissin Group	1	31%	46%
Ambient Desserts	Ambrosia, Angel Delight, Bird's	1	36%	58%
Cooking Sauces & Accompaniments	Sharwood's, Loyd Grossman, Homepride	1	16%	54%
Ambient Cakes	Mr Kipling, Cadbury, Lyons	1	22%	63%

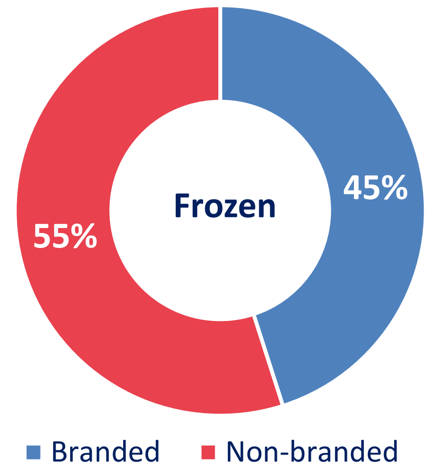
Sources: Category position & market share: IRI 52 w/e 31 March 2018; Penetration: Kantar Worldpanel 52 w/e 25 March 2018

RETAILER BRAND

Ambient grocery shows lowest prevalence of retailer brand in UK grocery







Market size	£31bn	£44bn	£6bn

	Flavourings & Seasonings	QMS	Cooking Sauces	Ambient Desserts	Ambient Cake
Market size	£396m	£379m	£820m	£299m	£1,023m
PF share	43.1%	30.5%	16.2%	35.7%	22.1%
Own label share	12.8%	5.8%	25.6%	19.7%	51.7%

Sources: Kantar Worldpanel, 52 weeks ended 25 March 2018, IRI 52 weeks ended 31 March 2018

INTEREST & TAXATION

Interest

£m	FY17/18	FY16/17
Senior secured notes interest	32	31
Bank debt interest	7	8
	39	**39**
Amortisation of debt issuance costs	5	4
Net regular interest	**44**	**43**

Taxation

- Deferred tax liability of £12m at 31 March 2018 (1 April 2017: £32m asset)
- Total recognised & unrecognised assets relating to losses = £45m, equivalent to c.£265m of taxable profits.
- Capital allowances in excess of depreciation provide further shield against future taxable profits
- Notional corporation tax 19.0% in FY18/19; deferred tax rate 17.0%
- Cash tax expected to be nil for medium term

PENSIONS – COMBINED SCHEMES

£m	31 March 2018	1 April 2017
Assets	4,864	4,865
Liabilities	(4,547)	(4,760)
Surplus	**317**	**105**
Surplus net of deferred tax @ (17.0%)	**263**	**87**

Key IAS 19 assumptions	31 March 2018	1 April 2017
Discount rate	2.70%	2.65%
Inflation rate (RPI/CPI)	3.15%/2.05%	3.3%/2.2%
Mortality assumptions	LTI +1.0%	LTI +1.0%

- Combined schemes deficit reflects RHM schemes surplus of £754m partly offset by Premier schemes deficit of £437m

Scheme Assets (£m)	31 March 2018	1 April 2017
Equities	297	527
Government bonds	1,046	519
Corporate bonds	21	23
Property	391	357
Absolute/Target return	1,324	1,284
Cash	32	69
Infrastructure funds	255	243
Swaps	715	1,116
Private equity	344	322
Other	439	405
Total	**4,864**	**4,865**

BALANCE SHEET

£m	31 March 2018	1 April 2017
Property, plant & equipment	185	188
Intangibles / Goodwill	1,075	1,114
Retirement benefit assets	754	594
Deferred tax	-	32
Non-current Assets	**2,014**	**1,928**
Working Capital - Stock	76	72
- Debtors	75	65
- Creditors	(214)	(192)
Total Working Capital	**(63)**	**(55)**
Net debt		
Gross borrowings	(520)	(526)
Cash	24	3
Total Net debt	**(496)**	**(523)**
Retirement benefit obligations	(437)	(489)
Other net liabilities	(69)	(68)
Net Assets	949	793
Share capital & premium	1,492	1,490
Reserves	(543)	(697)
Total equity	949	793