



PREMIER FOODS



Preliminary results
for 52 weeks ended 30 March 2019
14 May 2019



OODLES OF FLAVOUR

Alastair Murray

Acting CEO & Chief Financial Officer
Strategic and Financial Review



EXECUTIVE LEADERSHIP TEAM

Collectively nearly 170 years of consumer facing experience



Alastair Murray
Acting CEO & Chief Financial Officer



Alex Whitehouse
UK Managing Director



Jette Andersen
International Managing Director



Mark Hughes
Procurement & Central Ops Director



David Wilkinson
HR & Communications Director

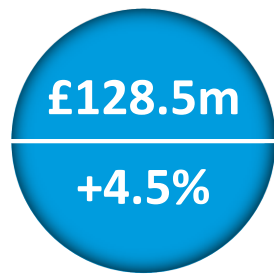


Simon Rose
General Counsel & Company Secretary

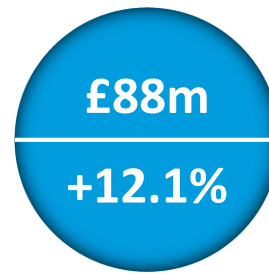
CONTINUED IMPROVEMENT ON KEY FINANCIAL MEASURES IN FY18/19



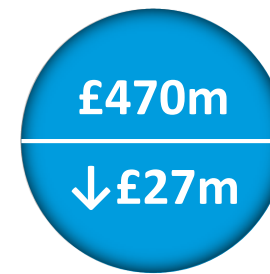
Full Year & Q4
Revenue growth



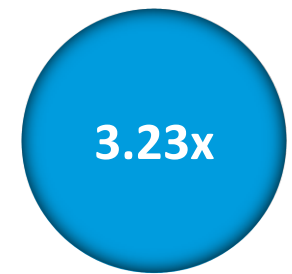
Trading profit



Adjusted PBT



Net debt



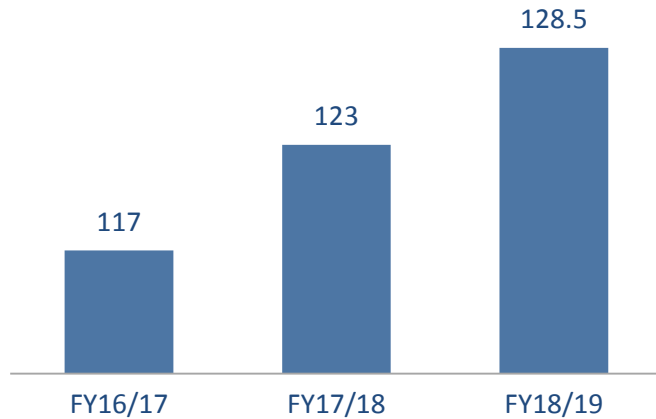
Net debt/EBITDA

Revenue and profit growth delivering a further year of Net debt reduction

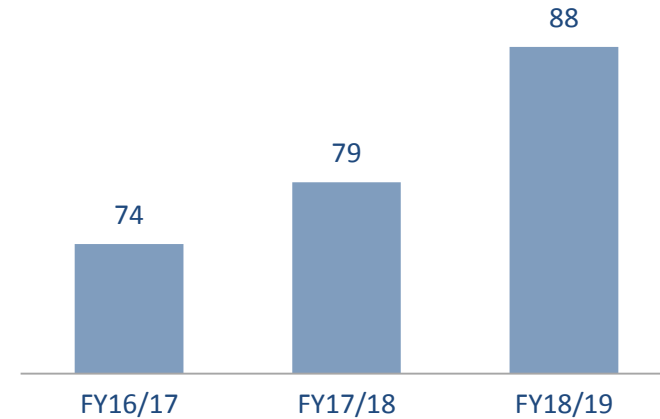
CONSISTENT PROGRESS OVER THE LAST TWO YEARS



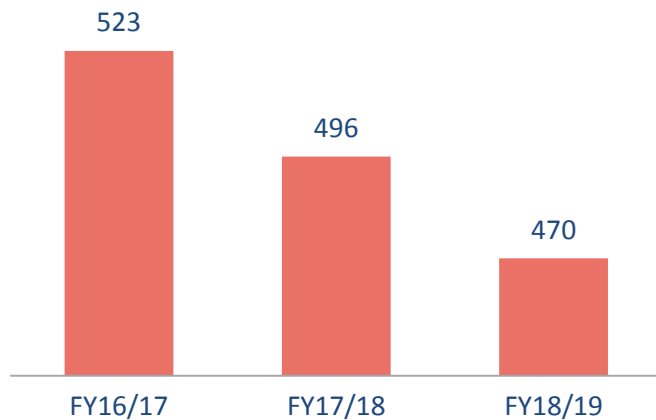
Trading profit (£m)



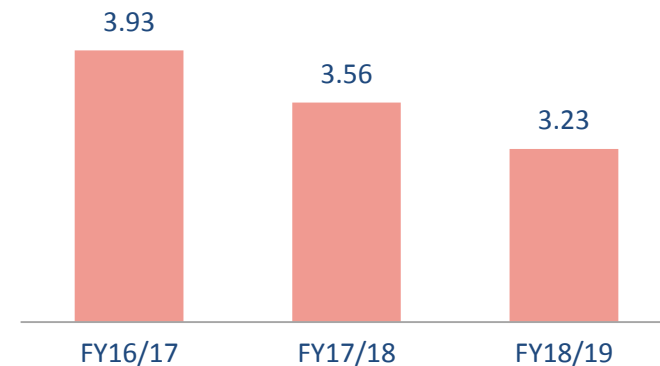
Adjusted PBT (£m)



Net debt (£m)



Net debt/EBITDA



GROUP HEADLINE RESULTS

Revenue and Trading profit growth



£m	FY18/19	FY17/18	Change (%)	Q4 Change (%)
Branded sales	679	670	+1.4%	+4.2%
Non-branded sales	145	149	(2.7%)	(3.3%)
Total sales	824	819	+0.6%	+3.1%
Divisional contribution	162	156	+3.9%	
Group & corporate costs	(33)	(33)	(1.8%)	
Trading profit	129*	123	+4.5%	
<i>Trading profit %</i>	<i>15.6%</i>	<i>15.0%</i>	<i>+0.6ppts</i>	
EBITDA	146	140	+4.2%	
<i>EBITDA %</i>	<i>17.7%</i>	<i>17.0%</i>	<i>+0.7ppts</i>	

- Full year branded revenue growth +1.4% and up +2.0% in H2
- Non-branded sales (2.7%) decline as Grocery good performance offset by weaker Sweet Treats
- Gross margins higher than prior year partly reflecting higher branded mix
- Trading profit growth of £5.5m due to branded revenue growth and slightly lower marketing

* - Rounded up from £128.5m for presentational purposes

GROCERY

Growth from Batchelors, Sharwood's, Soba and Angel Delight



£m	FY18/19	FY17/18	Change (%)	Q4 Change (%)
Branded sales	498	498	0.0%	+4.2%
Non-branded sales	99	91	+8.6%	+6.4%
Total sales	597	589	+1.3%	+4.6%
Divisional contribution	138	130	+6.3%	
<i>Divisional contribution %</i>	<i>23.2%</i>	<i>22.1%</i>	<i>+1.1ppts</i>	

- UK branded sales growth of c.+1.7% offset by lower International sales
- Strong performances from Batchelors, Sharwood's, Soba and Angel Delight
- Grocery categories impacted by hotter weather in Q2
- Revenue acceleration in Q4 reflecting excellent retailer instore execution
- Non-branded growth due to contract wins in Cooking sauces, Noodles and Stuffing and good progress in Knighton Foods
- Divisional contribution ahead of prior year:
 - Recovery of input cost inflation
 - Improved Knighton Foods performance

SWEET TREATS

Mr Kipling brand relaunch delivered +10% growth in UK



£m	FY18/19	FY17/18	Change (%)	Q4 Change (%)
Branded sales	181	172	+5.3%	+4.2%
Non-branded sales	46	58	(20.3%)	(35.2%)
Total sales	227	230	(1.2%)	(1.4%)
Divisional contribution	24	26	(8.4%)	
<i>Divisional contribution %</i>	<i>10.4%</i>	<i>11.2%</i>	<i>(0.8ppts)</i>	

- Mr Kipling brand relaunch delivered strong sales growth throughout the year
- Sales of Cadbury cake lower due to Easter phasing; strong innovation plan for FY19/20
- Non-branded sales significantly down; lapping strong comparatives, effect of contract exits and challenges during final phase of logistics transformation programme
- Divisional contribution lower following slightly higher distribution costs and lower overall volumes
- Divisional contribution % margins remain in double digit

OPERATING PROFIT

Lower in the year due to GMP recognition, restructuring and impairment



£m	FY18/19	FY17/18	Change
Trading profit	129	123	6
Amortisation of intangible assets	(34)	(36)	2
Foreign exchange fair value movements	(1)	0	(1)
Net interest on pension and administration costs	(1)	(2)	1
<u>Non-trading items</u>			
GMP equalisation	(42)	-	(42)
Restructuring costs	(17)	(9)	(8)
Impairment of goodwill and intangible assets	(31)	(7)	(24)
Other	2	-	2
Operating profit	5	69	(64)

- Amortisation of intangible assets slightly lower than prior year due to certain SAP software becoming fully amortised in FY18/19
- Recognition of costs for Guaranteed Minimum Payments pensions ruling; non cash (c.£42m)
- Restructuring includes transition costs associated with logistics transformation programme (c.£14m) and advisory fees and other (c.£3m)
- Impairment increase due to write down of Sharwood's and Saxa brand intangible assets

ADJUSTED EARNINGS PER SHARE UP +11.5%

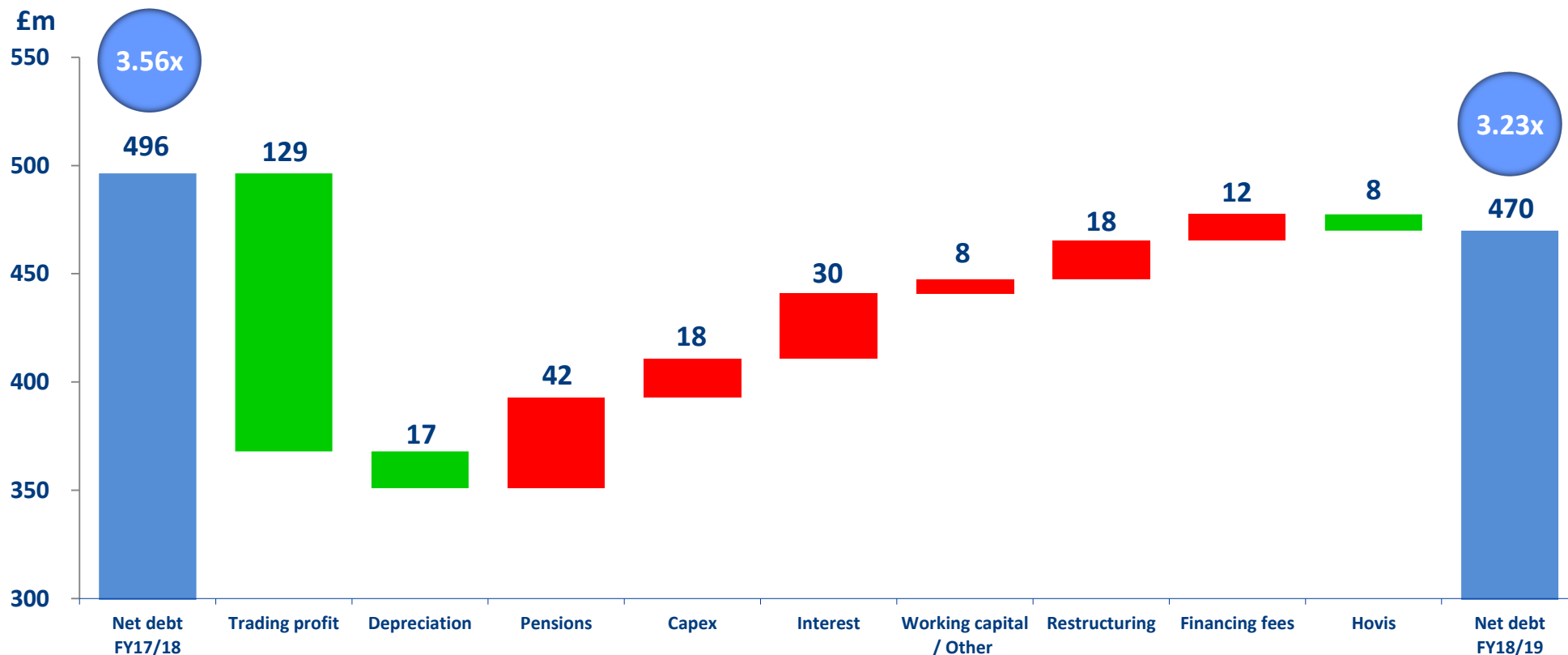


£m	FY18/19	FY17/18	Change (%)
Trading profit	129	123	+4.5%
Net regular interest	(41)	(44)	+8.9%
Adjusted PBT	88	79	+12.1%
Notional tax @ 19%	(17)	(15)	(12.1%)
Adjusted earnings	71	64	+12.1%
Weighted average shares in issue (million)	841.5	836.8	+0.6%
Adjusted earnings per share (pence)	8.5p	7.6p	+11.5%

- Net regular interest slightly below last year due to lower average debt levels
- Adjusted PBT ahead of expectations
- Adjusted earnings up +12.1% at £71m

FURTHER NET DEBT REDUCTION DESPITE RESTRUCTURING

Net debt/EBITDA now just over 3.2x



- One-off change in phasing of interest coupon payments following issue of new £300m fixed rate notes in year
- Restructuring costs due to logistics transformation programme and advisory fees
- Financing fees following launch of new fixed rate senior secured notes, retiring previous notes and RCF extension
- Hovis receipt reflects partial repayment of loan note interest

COMBINED PENSION SCHEMES – ACCOUNTING BASIS

Combined surplus £56m higher at £373m

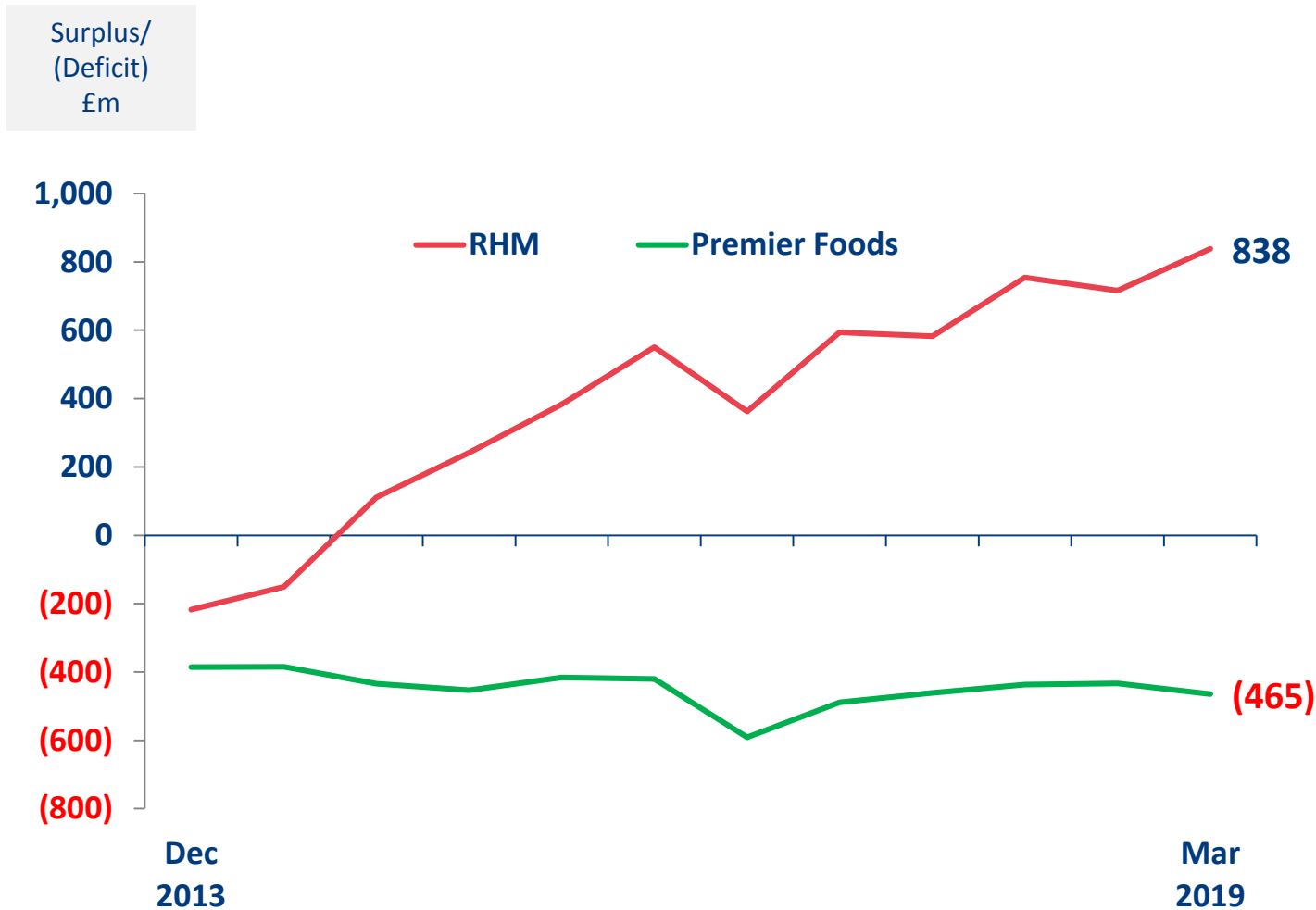


IAS19 Accounting valuation (£m)	<u>30 March 2019</u>			<u>31 March 2018</u>		
	RHM	Premier Foods	Combined	RHM	Premier Foods	Combined
Assets	4,334	707	5,041	4,185	679	4,864
Liabilities	(3,496)	(1,172)	(4,668)	(3,431)	(1,116)	(4,547)
Surplus/(Deficit)	838	(465)	373	754	(437)	317
Surplus/(Deficit) net of deferred tax (Tax @ 17.0%)	695	(386)	310	626	(363)	263
Discount rate	2.45%	2.45%	2.45%	2.70%	2.70%	2.70%
Inflation rate (RPI)	3.25%	3.25%	3.25%	3.15%	3.15%	3.15%

- Increase in Government bonds in RHM scheme
- Liabilities higher owing to increased discount rate and higher inflation rate
- NPV of future pension deficit payments remains unchanged at £300-320m

PENSION SCHEMES VALUATION EVOLUTION

Highest recorded RHM surplus; Premier Foods deficit stable



IFRS 16 – LEASES

Guidance



- New leases accounting standard, IFRS 16, effective for accounting periods commencing on or after 1 January 2019
- Group's first results to reflect IFRS 16 will be Half year results and Preliminary results for FY19/20
 - Net debt will be provided on both new and old basis
- No economic change to the position of the Group
- Key test is assessing the recognition of right of use of an asset
- For the Group, the majority of operating leases will in future be held on the balance sheet
- Group has elected to transition to IFRS 16 using the Modified Retrospective Approach
 - No re-stated comparative in statutory accounts
 - Pro forma for key lines to assist in starting position for FY19/20
- No impact on financial covenants; tested on pre-IFRS 16 basis

IFRS 16 – LEASES

Illustrative position



£m	FY18/19 reported	IFRS 16 adjustment	FY18/19 pro forma	Comments
<u>Balance sheet extract</u>				
Fixed Assets	191	20	211	Recognise asset
Lease liability	-	(20)	(20)	Recognise lease liability
Net assets	191	-	191	
Net debt	(470)	(20)	(490)	Include lease liability in Net debt
<u>P&L extract</u>				
Lease cost	-	3	3	Remove operating lease charge
Depreciation	(17)	(3)	(20)	Depreciation on asset
Trading profit	129	-	129	
EBITDA	145	3	148	Add back depreciation on asset

- In future years, there will be a degree of volatility as (i) leases are renewed and (ii) discount rates fluctuate

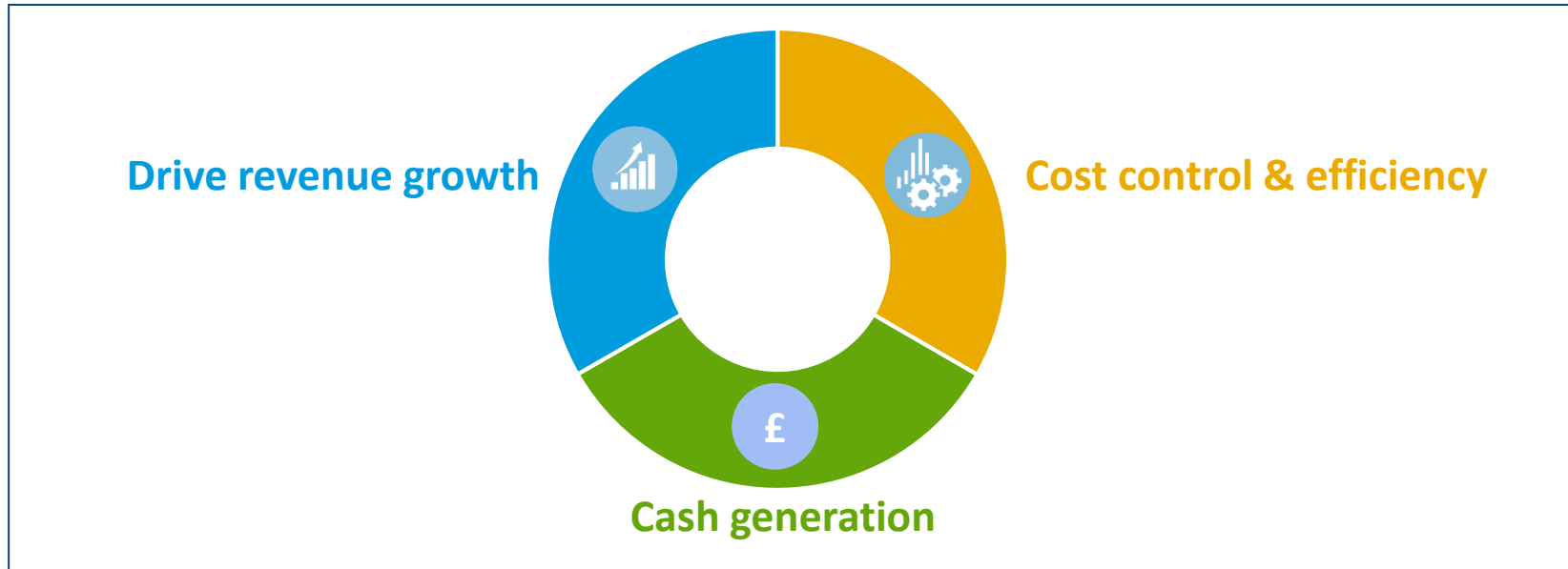
FY19/20 CASH GUIDANCE



FY19/20 guidance	£m
Working capital	Negative
Depreciation	c.£20m
Capital expenditure	c.£25m
Interest – cash	£35-£39m
Interest – P&L	£38-£42m
Tax – cash	Nil
Tax – notional P&L rate	19.0%
Pension deficit contributions	£37m
Pension administrative & PPF levy cash costs	£6-£8m
Cash restructuring costs	c.£3m

- The Group may also receive a second tranche of the repayment of a Hovis loan note in FY19/20

STRATEGY TO DRIVE REVENUE GROWTH, DELIVER EFFICIENCY TO GENERATE CASH



Drive revenue growth

1. UK – Insight driven innovation and execution
2. International growth through new markets
3. Strategic Partnerships

Cost control & efficiency

1. Logistics restructuring & optimisation
2. Manufacturing cost savings programmes
3. Capital projects

Cash generation

1. Tight focus on Capex
2. Maintain affordability of pension contributions
3. Disciplined working capital management

Wider strategic review remains ongoing

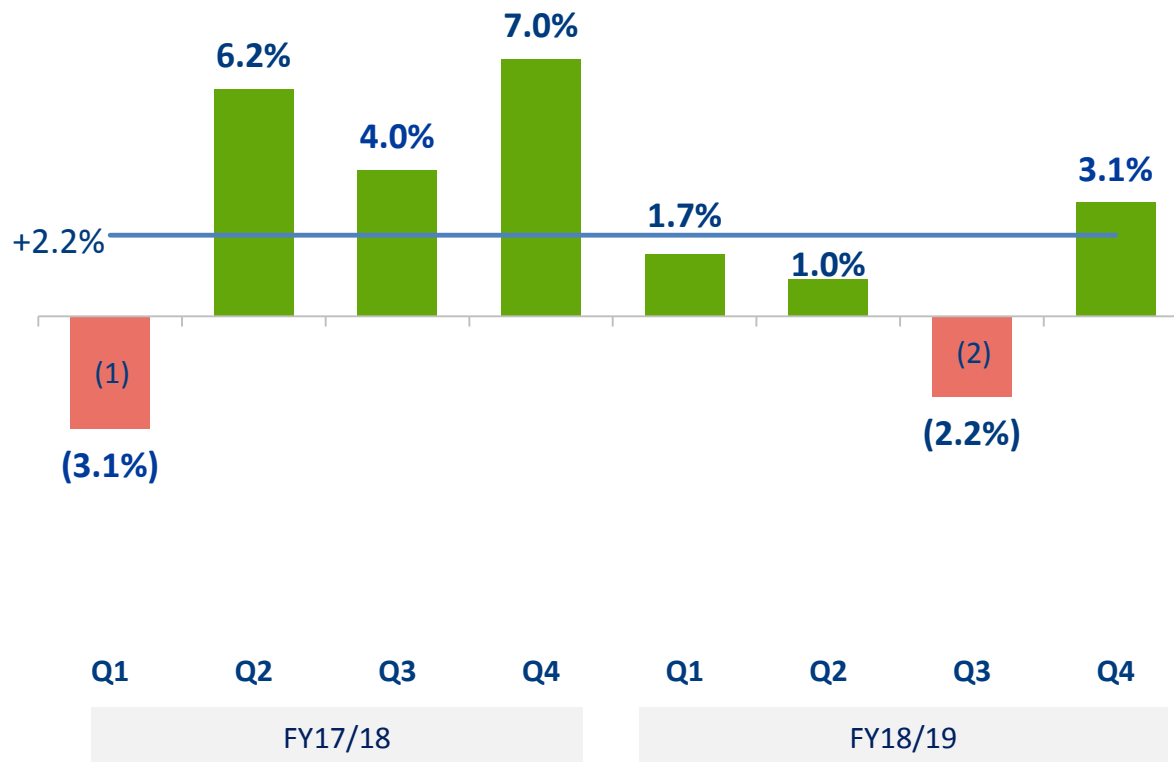
AVERAGE QUARTERLY REVENUE GROWTH +2.2%

Delivered a good quarter 4



Quarterly Revenue growth

% movement year on year



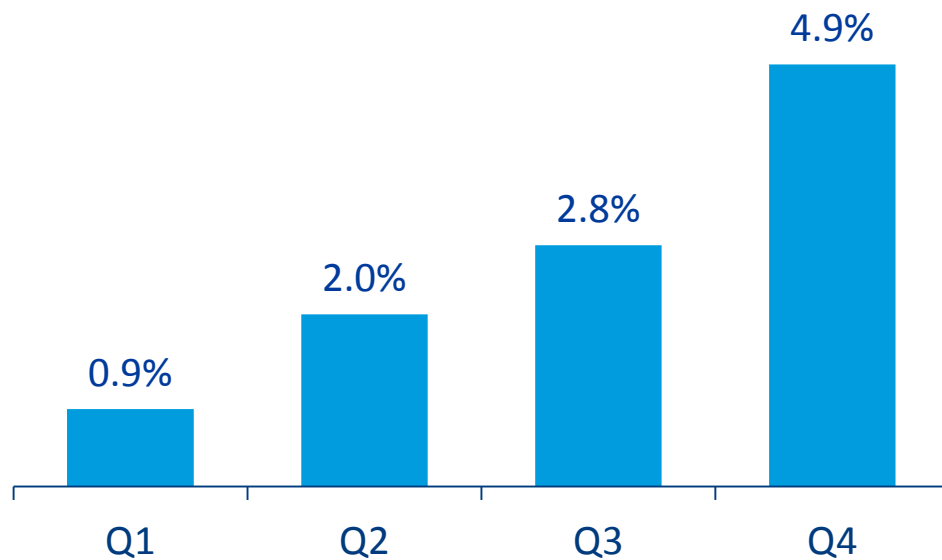
- (1) UK food deflation and multibuy reductions
- (2) Logistics programme impacted Sweet Treats + International performance

UK BRANDED PERFORMANCE

Acceleration of revenue growth through the year



FY18/19 revenue growth +2.7%



The diagram illustrates brand performance trends. A green arrow points upwards, indicating positive performance for brands listed above a dashed line: Mr Kipling, Oxo, Ambrosia, Sharwoods, and Angel Delight. A red arrow points downwards, indicating negative performance for brands listed below the dashed line: Bisto, a thermometer icon, and Loyd Grossman.

- Quarter 4 received a slight benefit from Brexit related stock build at customers

A MIXED INTERNATIONAL PICTURE AS SALES (12%) LOWER

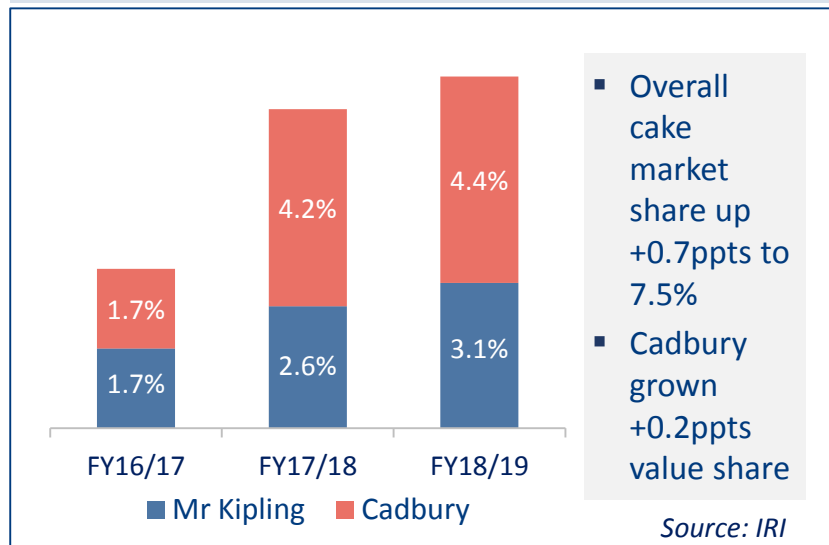
Cadbury cake overstocks & export wholesaler distributors decline



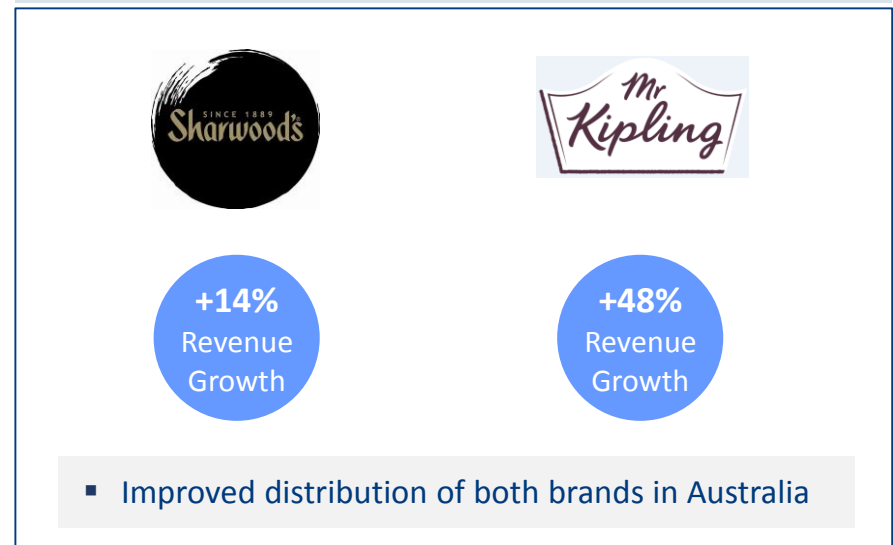
FY18/19 commentary

1. Elevated supply chain stocks of Cadbury cake in Australia impacted sales throughout the year
 - Follows very strong comparatives in FY17/18
 - Now worked through the supply chain system
 - Market data continues to demonstrate growth of Cadbury cake in Australia vs prior year
2. Price rises with export wholesalers resulted in significantly lower volumes than expected
 - Actions to ensure competitive pricing across all markets
 - Primarily affected Bisto, Batchelors and Oxo

Australia cake market share



Sharwood's & Mr Kipling



ROBUST PLANS TO RE-IGNITE INTERNATIONAL GROWTH IN FY19/20

Cake and Sharwood's key drivers of double-digit revenue target



North America



- Bespoke pack design for USA & Canadian markets
- Expansion plan for FY19/20



- Brand redesign to maximise merchandising impact
- Range extensions

Australia



- Accelerating rate of NPD through strengthening customer relationships



- Launch of Sharwood's Noodle pots in Australia
- Utilising Nissin expertise and supply chain infrastructure

Caribbean



Launched in Q1



Planned for FY19/20





Deliciously creamy

Alex Whitehouse
UK Managing Director
UK Operational review

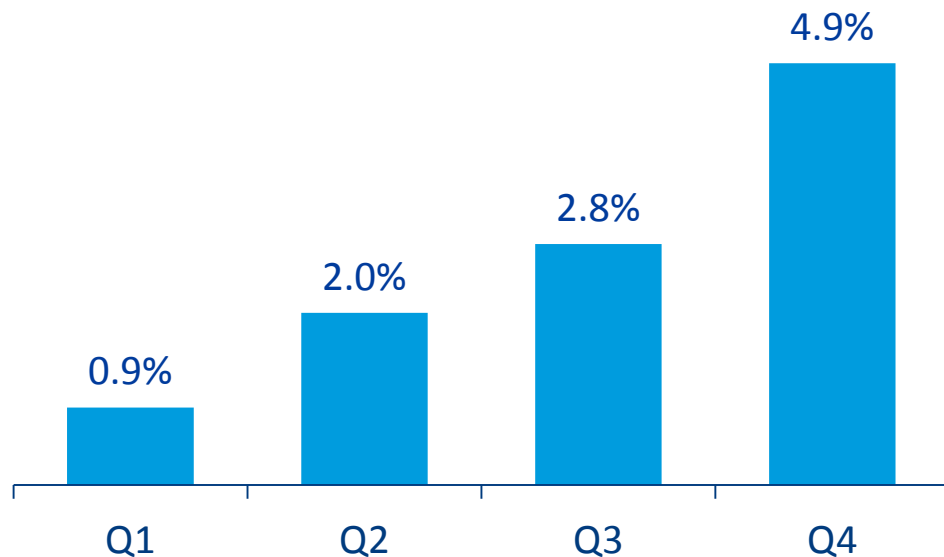


UK BRANDED PERFORMANCE

Acceleration of revenue growth through the year



FY18/19 revenue growth +2.7%



- FY18/19 performance builds on accelerating momentum in prior year, especially Batchelors & Angel Delight
- In H2, 7 of 8 major brands delivered revenue growth
- Driven by increasing innovation rate

OUR CONSUMER FOCUSED INNOVATION STRATEGY

Insight informed product innovation through to instore execution



Insight



Building **in depth** consumer understanding

Innovation



Developing new products that **make consumers lives easier**

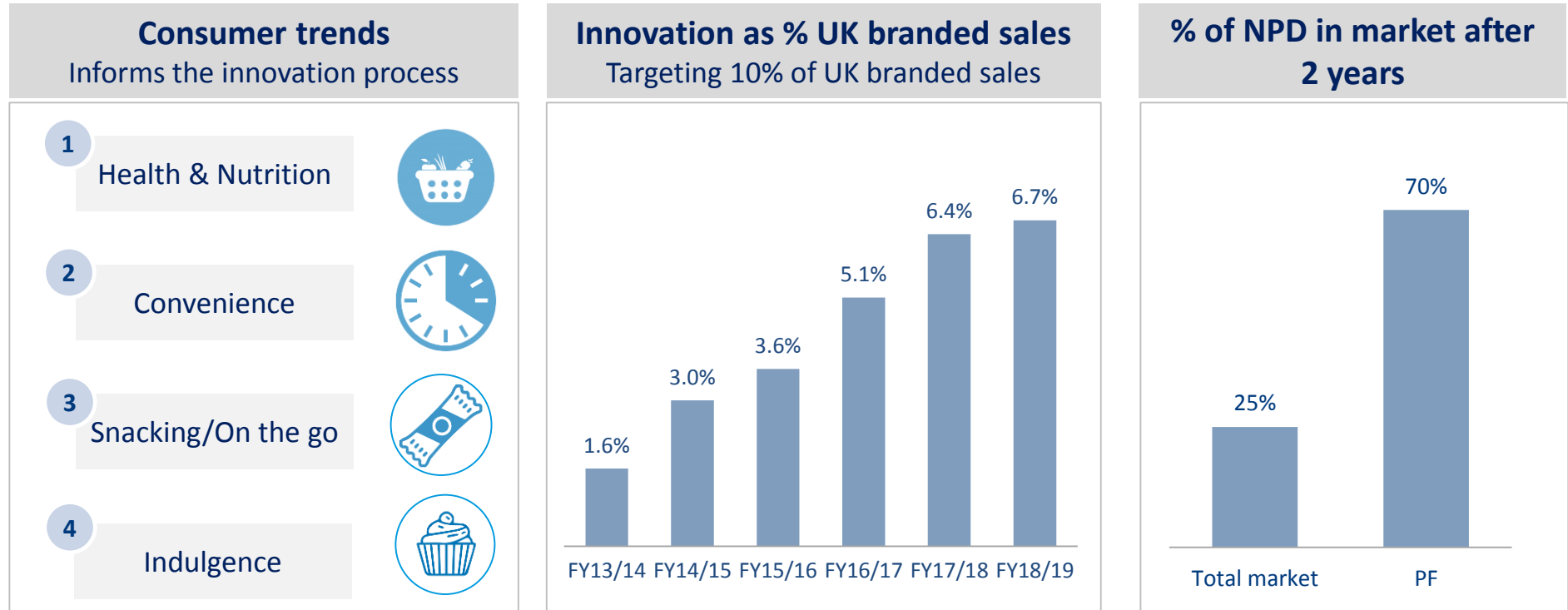
Execution



Supporting with **outstanding** in-store execution

CONSUMER TRENDS & INNOVATION

Identification of key consumer trends and innovation rate increases



■ Innovation strategy supported by important strategic relationships with Nissin and Mondelez International

SUCCESSFUL MR KIPLING RELAUNCH IN FY18/19

The Group's biggest brand delivered double-digit growth in the year



FY17/18

↓ 2%
Revenue

↓ 3%
Volume

Brand Relaunch Ingredients



Packaging redesign



New product development



TV advertising



Instore execution

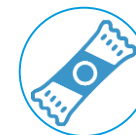
FY18/19

↑ 10%
Revenue

↑ 7%
Volume

BACHELORS MOMENTUM CONTINUED

Another very good year; high single-digit average growth over 2 years



FY17/18

+7%

FY revenue growth



Growth fuelled by pots range launch

FY18/19

+7%

FY revenue growth

30%

Market share



Further pots range extension supported by strong core range performance

FY19/20



More NPD to come including Big Pasta 'n' Sauce pots

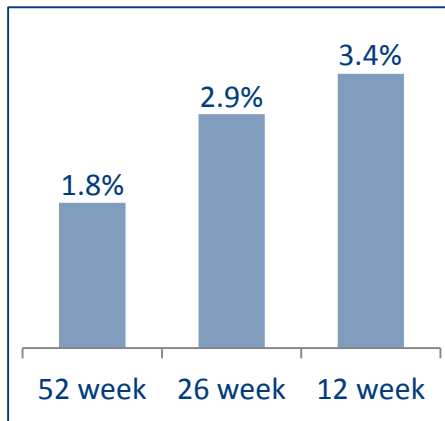
INSTORE EXECUTION HAS BEEN KEY TO UK PERFORMANCE

Distribution growth, Chinese New Year activity and major retailer events



1

Distribution building Top 4 retailers YoY growth



- Increased distribution across all categories
- Main benefits in QMS & Flavourings & Seasonings

2

Chinese New Year Sharwood's Instore displays



- Impactful retailer consumer focused instore displays
- Sharwood's delivered revenue growth of 7%
- Very strong customer feedback

3

Major retailer events Cross category activity



- Strong collaboration with customers
- 'Off-shelf' events drive increased volumes

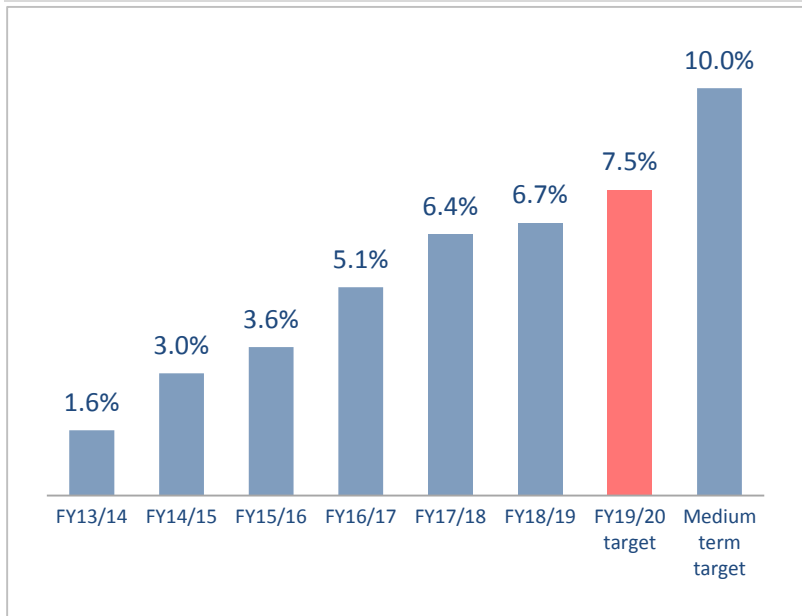
LOOKING AHEAD TO FY19/20

Upweighted advertising plan for year ahead & progress on innovation rate



Innovation as % UK branded sales

Targeting 10% of UK branded sales



Advertising investment

5 major brands on air in FY19/20



PRODUCT INNOVATION CONTINUES TO SUPPORT GROWTH

All of our new product innovation is aligned to consumer trends



Health & Nutrition

Ambrosia 30% less sugar & fat



- Relaunch of Ambrosia Light Custard with 30% less sugar & also 30% fat
- Healthy eating choice with same great taste
- Instore from Q1

Convenience

Bisto ready to use Gravy pots



- Convenient ready to use gravy pot
- Just one minute in microwave and ready to pour
- Set to launch in Q2

INNOVATION ALIGNED TO INDULGENCE CONSUMER TREND

Cadbury cake and Mr Kipling new products for FY19/20



Cadbury Dairy Milk slices



- Dairy Milk the biggest brand in confectionery
- Cadbury cake in slices is a first, and includes chunks of Cadbury Dairy Milk
- Available in Dairy Milk, Caramel and Raspberry flavours from May onwards

Mr Kipling 'Signature range'



- Premium tier offering
- Instore from Q2

INTRODUCING....PLANTASTIC

A fresh new plant based brand to target the health conscious consumer



Cake



Desserts



PLANTASTIC

A cross-category brand launching in H2



- Introduction of a fresh new brand 'Plantastic'
- A cross-category range of products using plant based ingredients
- Targeting to appeal across a range of shoppers and consumers
- 86% of consumers buying plant based products are meat eaters – rise of Flexitarianism
- All recipes are fully plant based and do not use ingredients from animals
- Targeting on the go categories such as Cake & Desserts
- Cake and Desserts ranges to be manufactured in-house



PREMIER FOODS



Alastair Murray
Acting CEO & Chief Financial Officer
Cost Efficiency, Capex & CSR

LOGISTICS TRANSFORMATION PROGRAMME

Programme now complete and customer service levels returned to normal



Logistics Transformation



What happened in FY18/19?

- Third & final phase of consolidation programme took place in Q2/Q3
- Sweet Treats most affected during Q2 and Q3
- Significant initial issues around labour availability and warehouse efficiency
- Temporary additional warehousing space to cover peak Christmas period

Where are we now?

- ✓ Programme now complete
- ✓ Labour availability and retention issues resolved
- ✓ Customer service levels returned to normal levels
- ✓ Peak Easter period for Sweet Treats delivered successfully
- ✓ Further work underway to explore cost optimisation

CAPITAL INVESTMENT

Increased investment in FY19/20 to c.£25m through growth projects



1 Cake product flexibility & enhancement



- Stoke manufacturing site
 - Re-development & enhancement of existing manufacturing line
 - Facilitate multiple innovation options
 - Significantly enhanced processing capability
 - Commissioning in H1



2 Batchelors pots capacity & flexibility



- Capacity increase to accommodate success of pots range
- Facilitates further innovation

3 Cooking sauces pouches



- Additional capacity & flexibility to fulfil increased pouches demand
- Facilitates further innovation

CORPORATE & SOCIAL RESPONSIBILITY

Progress continues across a number of areas



Packaging

94%

Proportion of our packaging that is recyclable

320 Tonnes

Tonnes of plastics removed over last 3 years

Sugar

1,000 Tonnes

2019 target of sugar removal from portfolio

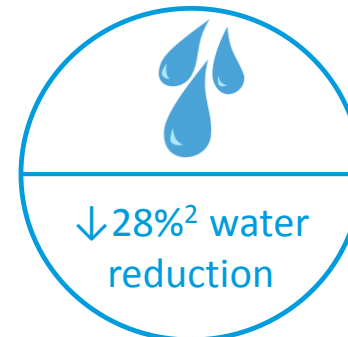


Food waste management

- Zero waste to landfill at manufacturing sites
- Food waste re-distribution increase by 24%¹ on prior year
- Leading participant in IGD food waste reduction roadmap



Environmental management



- CO₂ emissions targets 18% reduction compared to FY17/18
- Lifton Ambrosia factory gas pipeline reduces CO₂ emissions by c.25%

1 – 2018 vs 2017; 2 – Since 2008 baseline year

SUMMARY & OUTLOOK



Summary

- Second year of Revenue, Trading profit, Adjusted eps, Net debt and Net debt/EBITDA progress
- Group's biggest brand, Mr Kipling grew double digit following brand relaunch
- Continued momentum for Batchelors
- Trading profit growth despite major challenges from logistics programme and International performance
- Innovation core to our growth strategy
- Net debt/EBITDA reduced to 3.2x

Outlook

- Expectations of further progress in FY19/20, with a slower H1
- Increased capital investment and consumer marketing planned for FY19/20
- Similar level of Net debt reduction expected in coming year
- Strategic review remains ongoing



PREMIER FOODS



Q&A

NISSIN

Soba

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 'FY18/19' refers to the 52 weeks ended 30 March 2019. The period 'FY17/18' refers to the 52 weeks ended 31 March 2018.
- The period 'Q4' refers to the thirteen weeks ended 30 March 2019 and the comparative period, the thirteen weeks ended 31 March 2018.
- Trading profit is defined as Profit/(loss) before tax before net finance costs, amortisation of intangible assets, non-trading items, fair value movements on foreign exchange and other derivative contracts 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, other finance income, early redemption fees, fair value movements on interest rate financial instruments and other interest payable. 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 841.5 million (52 weeks ended 30 March 2018: 836.8 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

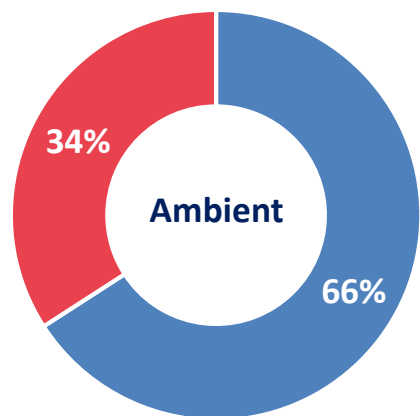


Categories						
	Brands			Position	Share	Penetration
Flavourings & Seasonings				1	43%	71%
Quick Meals, Snacks & Soups				1	32%	46%
Ambient Desserts				1	35%	56%
Cooking Sauces & Accompaniments				1	15%	52%
Ambient Cakes				1	22%	64%

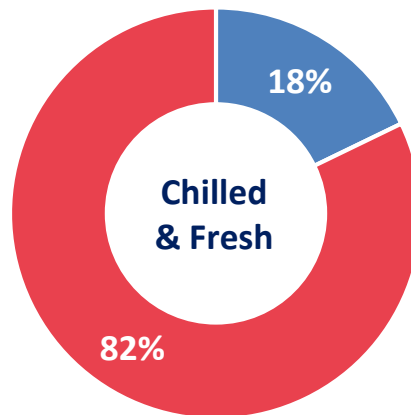
Sources: Category position & market share: IRI 52 w/e 30 March 2019; Penetration: Kantar Worldpanel 52 w/e 24 March 2019

UK GROCERY MARKET

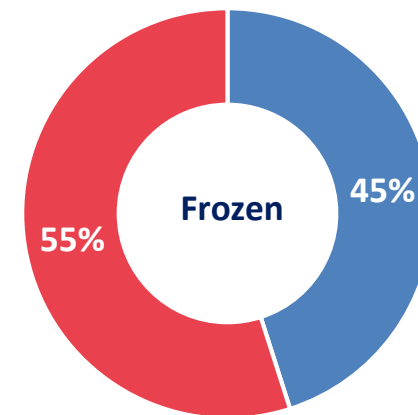
Ambient grocery shows lowest prevalence of retailer brand in UK grocery



■ Branded ■ Non-branded



■ Branded ■ Non-branded



■ Branded ■ Non-branded

Market size	£31bn	£43bn	£6bn

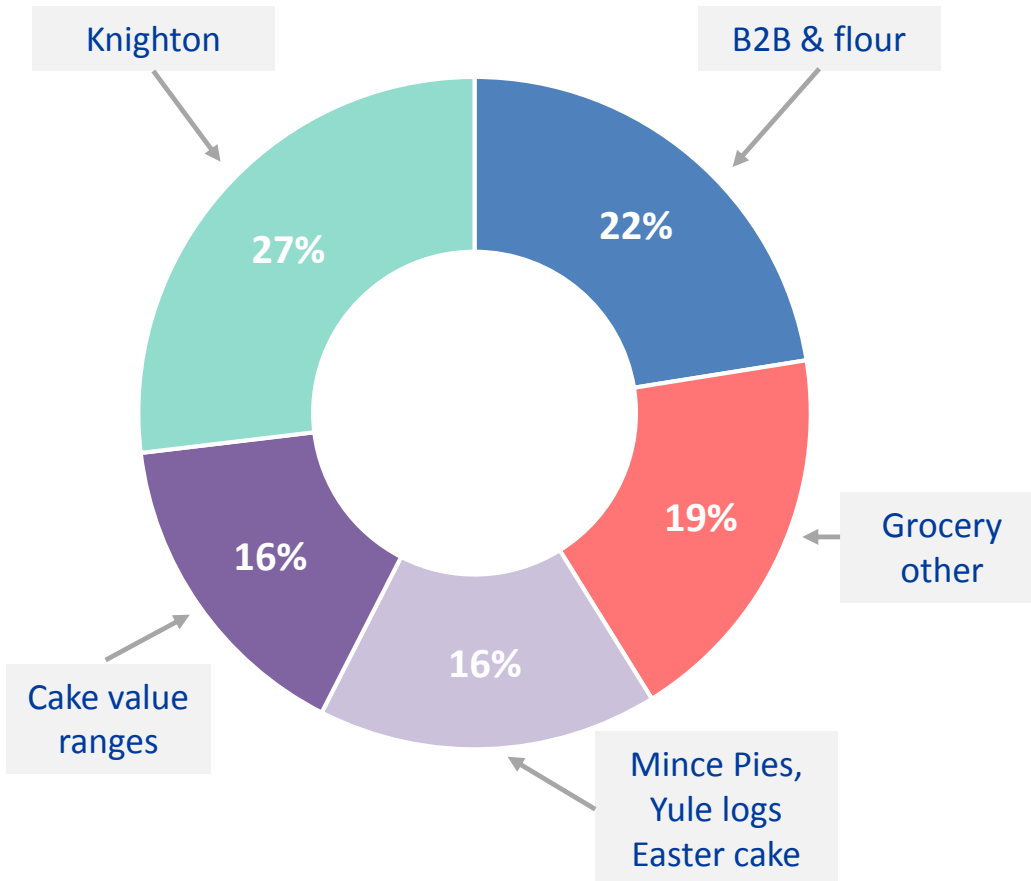
	Flavourings & Seasonings	QMS	Cooking Sauces	Ambient Desserts	Ambient Cake
Market size	£378m	£378m	£818m	£303m	£1,035m
PF share	43.2%	31.5%	15.5%	34.7%	22.4%
Own label share	13.1%	5.6%	25.9%	19.7%	51.0%

Sources: Kantar Worldpanel, 52 weeks ended 25 March 2018, IRI 52 weeks ended 30 March 2019

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

FY18/19 commentary

- FY18/19 Non-branded revenue declined (2.7%):
- Sweet Treats decrease due to Pies & Tarts contract exits
- Grocery contract wins in Cooking sauces, Noodles & Stuffing
- Knighton & Charnwood revenues up

INTEREST & TAXATION



Interest

£m	FY18/19	FY17/18
Senior secured notes interest	32	32
Bank debt interest	5	7
	37	39
Amortisation of debt issuance costs	4	5
Net regular interest	41	44

Taxation

- Deferred tax liability of £14m at 30 March 2019 (31 March 2018: £12m liability)
- Total recognised assets relating to losses = £41m, plus £3m unrecognised assets, equivalent to c.£250m of taxable profits.
- Capital allowances in excess of depreciation provide further shield against future taxable profits
- Notional corporation tax 19.0% in FY19/20; deferred tax rate 17.0%
- Cash tax expected to be nil for medium term

PENSIONS – COMBINED SCHEMES



£m	30 March 2019	31 March 2018
Assets	5,041	4,864
Liabilities	(4,668)	(4,547)
Surplus	373	317
Surplus net of deferred tax @ (17.0%)	310	263

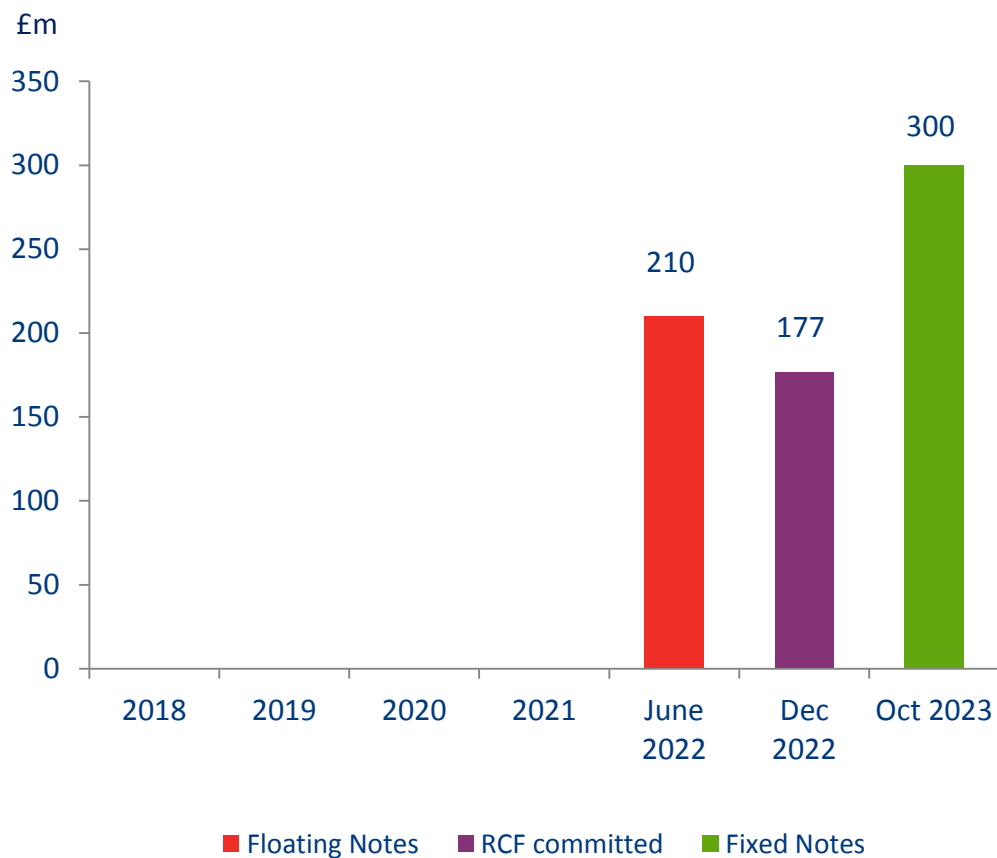
Key IAS 19 assumptions	30 March 2019	31 March 2018
Discount rate	2.45%	2.70%
Inflation rate (RPI/CPI)	3.25%/2.15%	3.15%/2.05%
Mortality assumptions	[LTI +1.0%]	LTI +1.0%

- Combined schemes deficit reflects RHM schemes surplus of £838m partly offset by Premier schemes deficit of £465m

Scheme Assets (£m)	30 March 2019	31 March 2018
Equities	180	297
Government bonds	1,490	1,046
Corporate bonds	27	21
Property	437	391
Absolute/Target return	1,141	1,324
Cash	38	32
Infrastructure funds	256	255
Swaps	556	715
Private equity	446	344
Other	470	439
Total	5,041	4,864

CAPITAL STRUCTURE

£300m Fixed rate note issued in H1 and RCF extension to December 2022



- Appropriate liquidity and a comfortable maturity profile
- First maturity in June 2022
- Total committed RCF £177m following refinancing

BALANCE SHEET



£m	30 March 2019	31 March 2018
Property, plant & equipment	186	185
Intangibles / Goodwill	1,012	1,075
Retirement benefit assets	838	754
Non-current Assets	2,036	2,014
Working Capital - Stock	78	76
- Debtors	89	75
- Creditors	(238)	(214)
Total Working Capital	(71)	(63)
Net debt		
Gross borrowings	(498)	(520)
Cash	28	24
Total Net debt	(470)	(496)
Retirement benefit obligations	(465)	(437)
Other net liabilities	(67)	(69)
Net Assets	963	949
Share capital & premium	1,493	1,492
Reserves	(530)	(543)
Total equity	963	949