



# Why Invest in Premier Foods?

December 2023





# Introduction



# Why invest in Premier Foods?

## 1 Portfolio of category leading brands

- Market leaders in the UK in our five main categories
- 91% of UK households buy our brands
- Strong positions in Australia & Ireland



## 2 Proven branded growth model

- Strong track record of delivering branded revenue growth applying brand investment, innovation and retailer partnerships

**5.3%**  
3yr UK branded growth<sup>1</sup>

## 3 Strong margin profile

- Sector leading margins comparable with large-cap peers
- Branded growth model strategy delivers consistent value creation

**18.1%**  
FY22/23  
EBITDA margin

## 4 Continued supply chain investment

- Pipeline of further automation projects
- Expect to steadily build capital investment over medium term



## 5 Highly cash generative

- Net debt/EBITDA target of 1.5x
- Fixed rate October 2026 bonds coupon @ 3.5%
- Strong FCF conversion

**1.5x**  
In line with target

## 6 Pension obligations solution

- Segregated merger of schemes under one Trust paves way for resolution
- Revised investment strategy delivering results

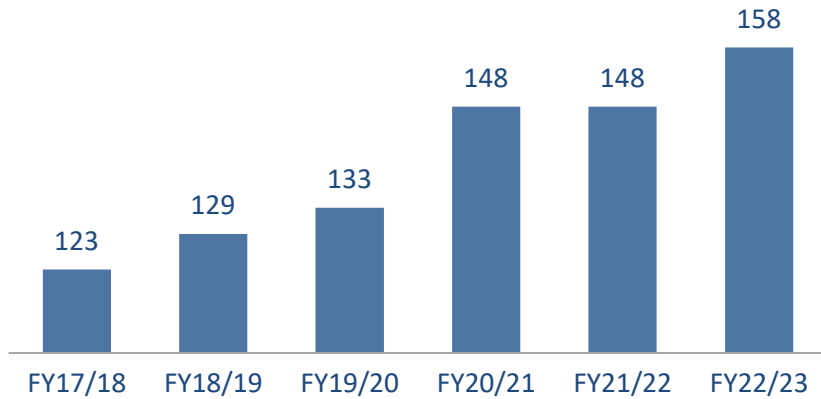
✓  
On track for resolution in medium-term

*We are guided by our purpose, 'Enriching Life Through Food', together with our ESG strategy*

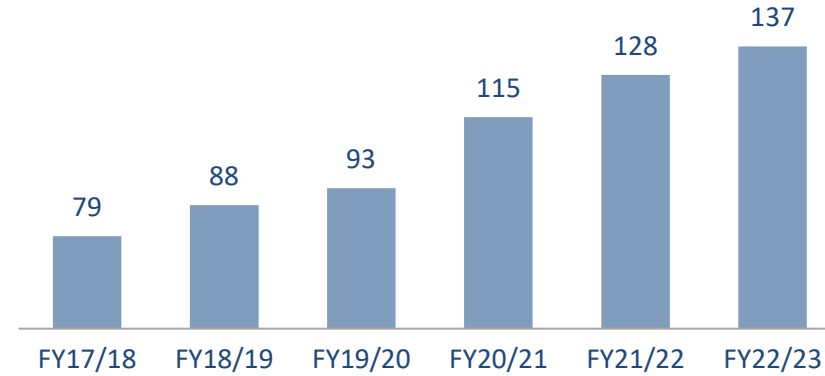
# A strong track record of sustained delivery over the last 5 years



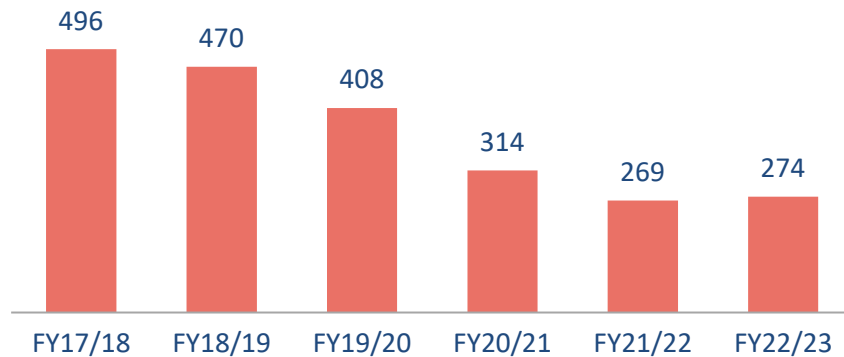
Trading profit (£m)<sup>1,2</sup>



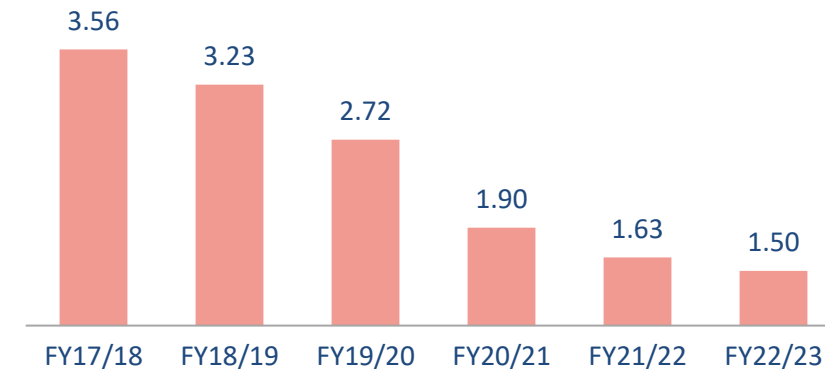
Adjusted PBT (£m)<sup>1,2</sup>



Net debt (£m)<sup>2</sup>

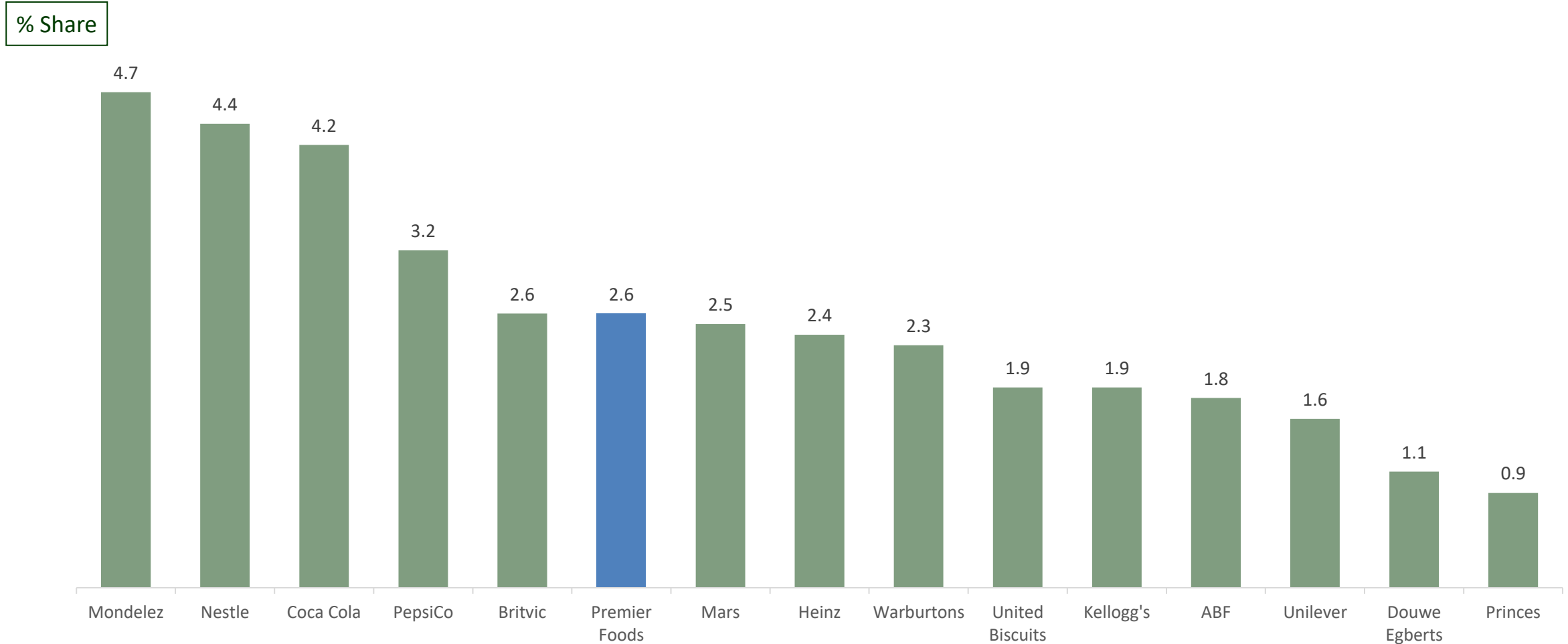


Net debt/EBITDA<sup>2</sup>



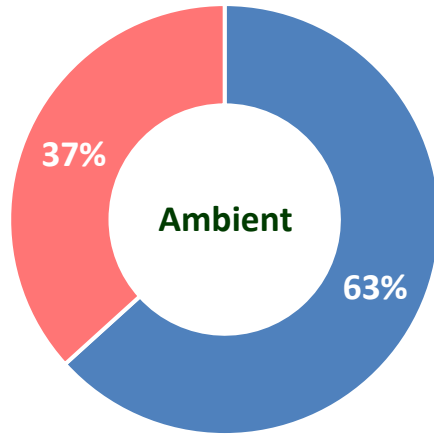
1 – Stated on a 52 week comparable basis; 2 – FY22/23: Trading profit and Adjusted PBT stated after software amortisation and Net debt stated on post-IFRS 16 basis

# We are one of the UK's leading ambient grocery suppliers

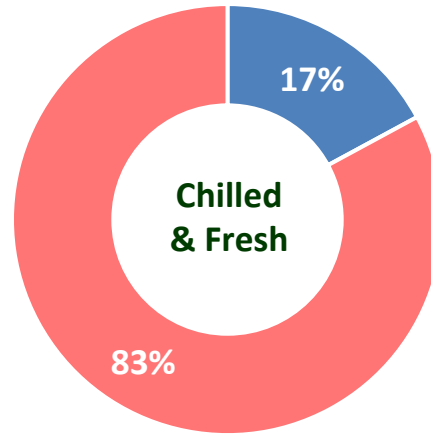


Source: Kantar Worldpanel, 52 weeks ending 11 June 2023, excludes Foodservice and out of home

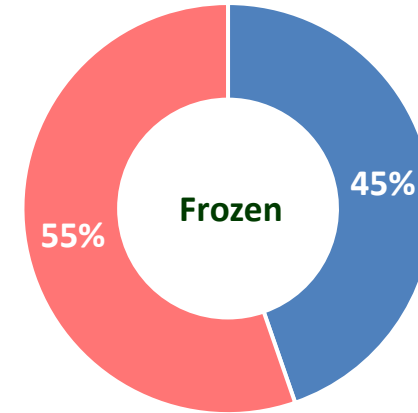
# UK Grocery market



■ Branded ■ Non-branded



■ Branded ■ Non-branded






















■ Branded ■ Non-branded

Market size	£38bn	£53bn	£8bn
-------------	-------	-------	------

Premier Foods categories	Flavourings & Seasonings	QMS	Cooking Sauces	Ambient Desserts	Ambient Cake
Market size	£435m	£478m	£1,068m	£314m	£1,331m
PF share	44%	36%	15%	39%	19%
Own label share	17%	6%	29%	21%	58%

Sources: Market sectors: Kantar Worldpanel 52 w/e 19 March 2023, Category position & market share: IRI 52 w/e 1 April 2023

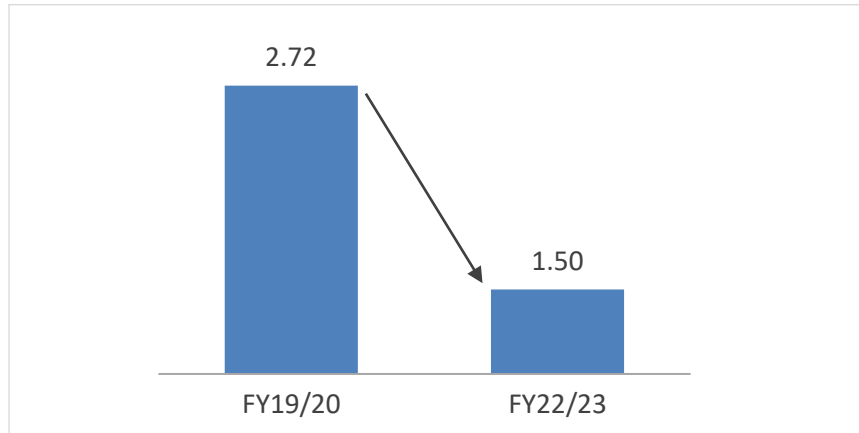
# Strong brand equities across five categories

Category	Brands	Products	Position	Share	Penetration
Flavourings & Seasonings	  		1	44%	63%
Quick Meals, Snacks & Soups	 		1	36%	43%
Cooking Sauces & Accompaniments	   		1	15%	46%
Ambient Desserts	  		1	39%	51%
Ambient Cakes	 		1	19%	61%

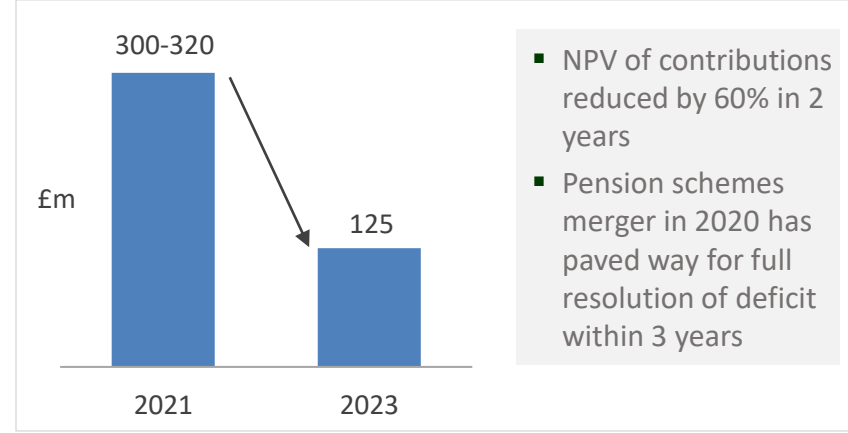
Sources: Category position & market share: IRI 52 w/e 1 April 2023; Penetration: Kantar FMCG panel, 52 w/e 19 March 2023

# A completely transformed financial position

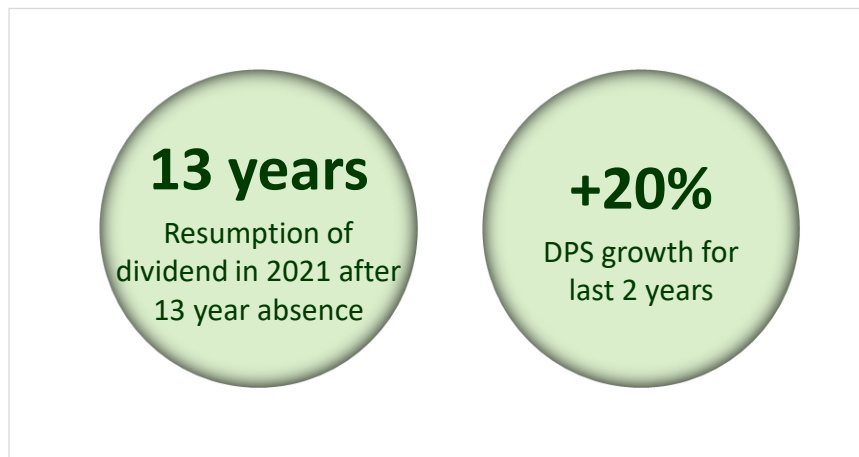
## 1 Substantially reduced leverage



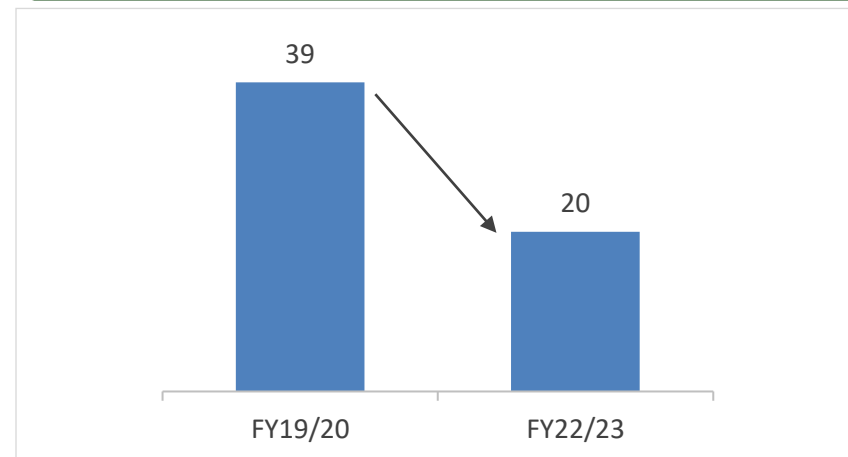
## 2 Transformative pensions agreement



## 3 Progressive dividend



## 4 Interest costs halved



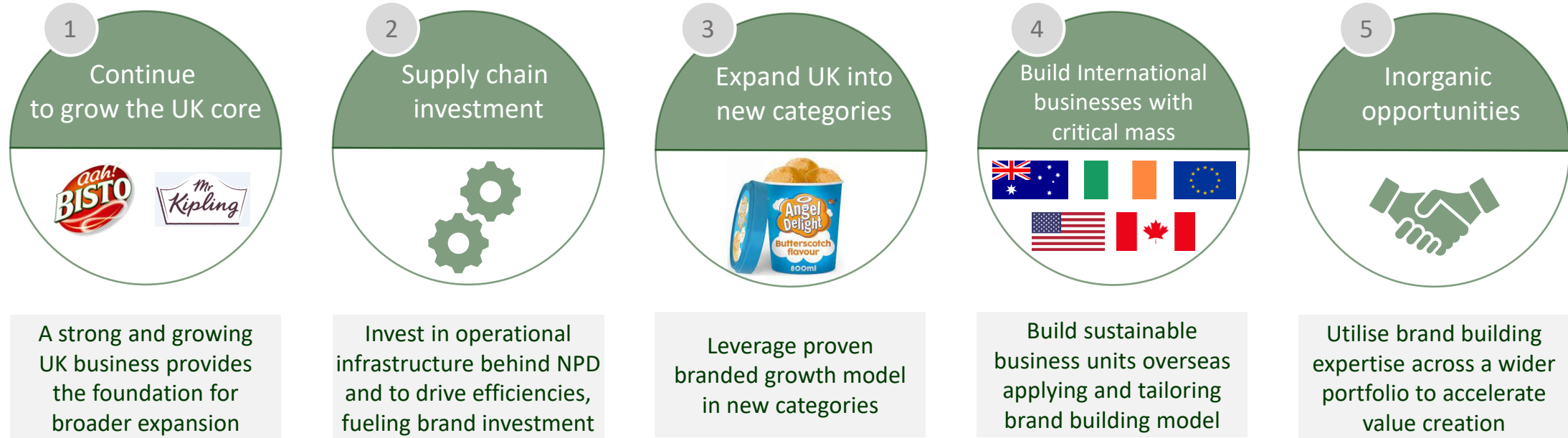




# Strategy



# Our strategy and purpose



*Guided by our purpose, 'Enriching Life Through Food', together with our ESG strategy*

# Our ESG strategy, the 'Enriching Life Plan'

Major, ambitious, targets introduced in 2021



Pillar	PRODUCT		PLANET		PEOPLE		
Our ambitions	<b>GREAT TASTING NUTRITIOUS AND SUSTAINABLE FOOD</b>		<b>CONTRIBUTING TO A HEALTHIER PLANET</b>		<b>NOURISHING THE LIVES OF OUR COLLEAGUES AND COMMUNITIES</b>		
	<ul style="list-style-type: none"> <li>• Healthier Nutrition</li> <li>• Plant-based Eating</li> <li>• Sustainable Packaging</li> </ul>		<ul style="list-style-type: none"> <li>• Taking action on climate change</li> <li>• Protecting our natural resources</li> <li>• Reducing waste across our value chain</li> </ul>		<ul style="list-style-type: none"> <li>• A diverse, healthy and inclusive culture</li> <li>• A leading developer of people</li> <li>• A caring community partner</li> </ul>		
Targets include	More than double sales of high nutritional standard by 2030	£250m sales from plant-based products by 2030	Reduction of Scope 1 and 2 emissions by 42% by 2030 and achieve Net Zero for direct emissions by 2040	Introduce SBTi aligned to the 'Business Ambition for 1.5'	Halve food waste by 2030	Gender balance for senior management population by 2030	Donation of 1 million meals per annum to those in poverty by 2030

# Strong progress in our Enriching Life Plan

## PRODUCT

Sales growth from high nutritional products<sup>1</sup>

+23%



Products with an additional health benefit<sup>2</sup>

43%



Packaging



- Currently **96%** of packaging is recyclable
- Ambrosia Minis to be recyclable

## PLANET

c.4%↓  
Scope 1

Expect to reduce Scope 1 emissions by c.4% this year



New supplier engagement programme to drive Scope 3 emissions reductions



Adopted Rainforest Alliance Certification for cocoa

## PEOPLE

47%  
Female managers

- 47% of our management colleagues are female
- Sponsored GroceryAid Diversity In Grocery



+16%

- Apprentices + Graduates increased +16%

500,000+ meals donated in H1



# Our branded growth model is at the core of what we do

## 1 Leading brand positions

- Our brands are leaders in their core categories
- High household penetration



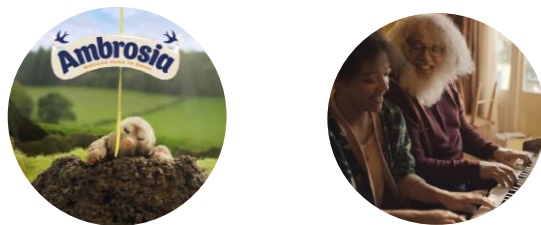
## 2 Insight driven new products

- Launch new products linked to key consumer trends
- Major focus on health & nutrition



## 3 Sustained marketing investment

- Marketing and advertising to build brands, maintain awareness and keep them contemporary
- Create emotional connections through media



## 4 Retailer partnerships

- Focused on driving mutual category growth
- Deliver outstanding instore execution



# The UK core benefitting from NPD and upweighted investment

## Product innovation well aligned to consumer trends

### Health & Nutrition



- A major focus of innovation strategy is to deliver **healthy options** for consumers, such as **Mr Kipling Deliciously Good** & **Sharwood's** low fat curry pastes

### Convenience



- Nissin** continues to grow very strongly, bolstered by new Big Pot formats
- Oxo** grew nearly 40% in H1 benefitting from Stock Pots expansion

### Indulgence



- Indulgence remains a key trend with **Mr Kipling**, **Plantastic** and **Ambrosia** all launching exciting new ranges

## Significantly increased brand investment



- Seven major brands benefitting from increased TV, digital and outdoor media investment



- Significantly upweighted investment in successful **'Best Restaurant in Town'** campaign to mainstream TV media across many brands

# Great instore execution and distribution gains

## Instore KPIs

### Distribution points

+2.6%

Significant gains in recent Grocery range reviews

### Off-shelf display

+56%

All Grocery categories increasing

## Batchelors Batman



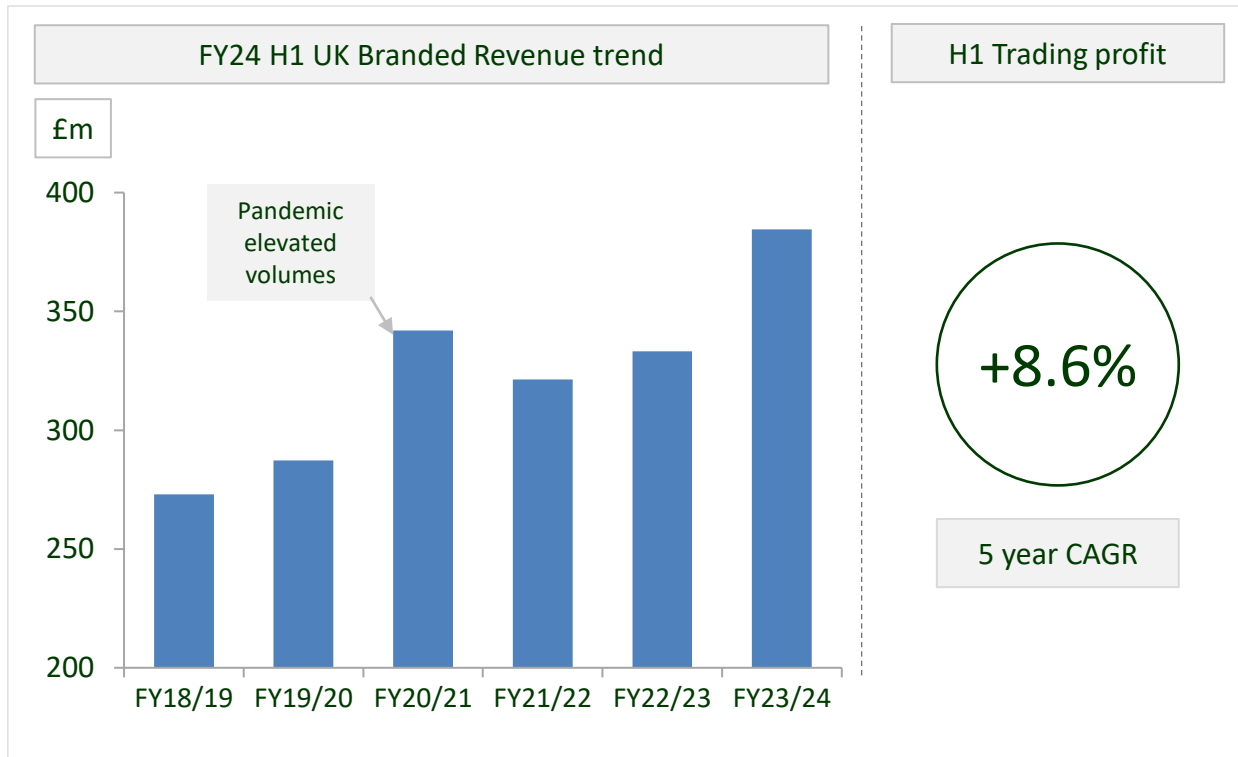
## Mr Kipling Minions



# Driving sales growth, profit growth and winning market share



## Consistently delivering profitable revenue growth



## Market share gains<sup>1</sup>

**+113bps**  
Grocery market share

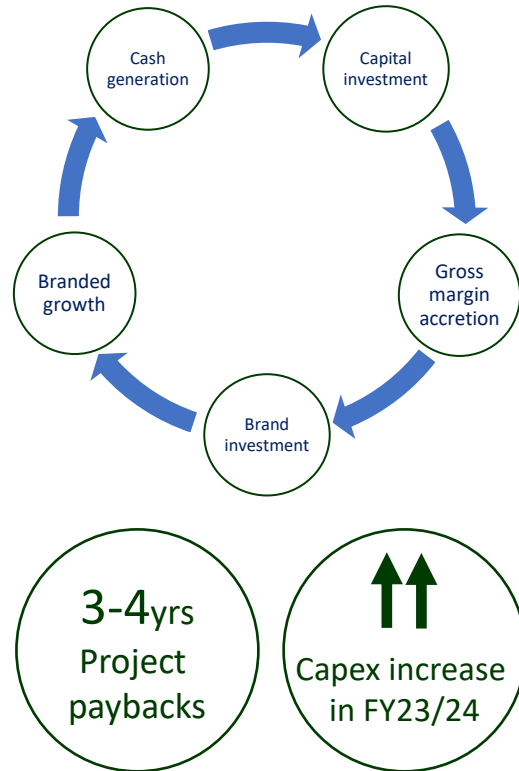
- Strong market share gains in Grocery
- Sweet Treats on improving trajectory
- Instore performance replicated online

1 - Source: Circana, 24 w/e 30 September 2023

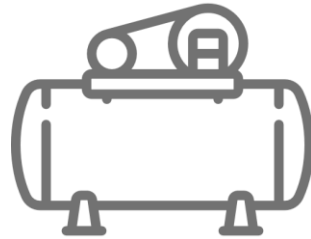


# Infrastructure investment

## Capex fuels branded growth



## Efficiency & energy reduction



- Air compressor replacement across many sites
- Utilises more efficient technology which reduces scope 2 emissions
- Strong paybacks; less than 3 years

## Further automation in cake

### Auto-casepackers & Auto-palletisers

4



Completed

4



On order



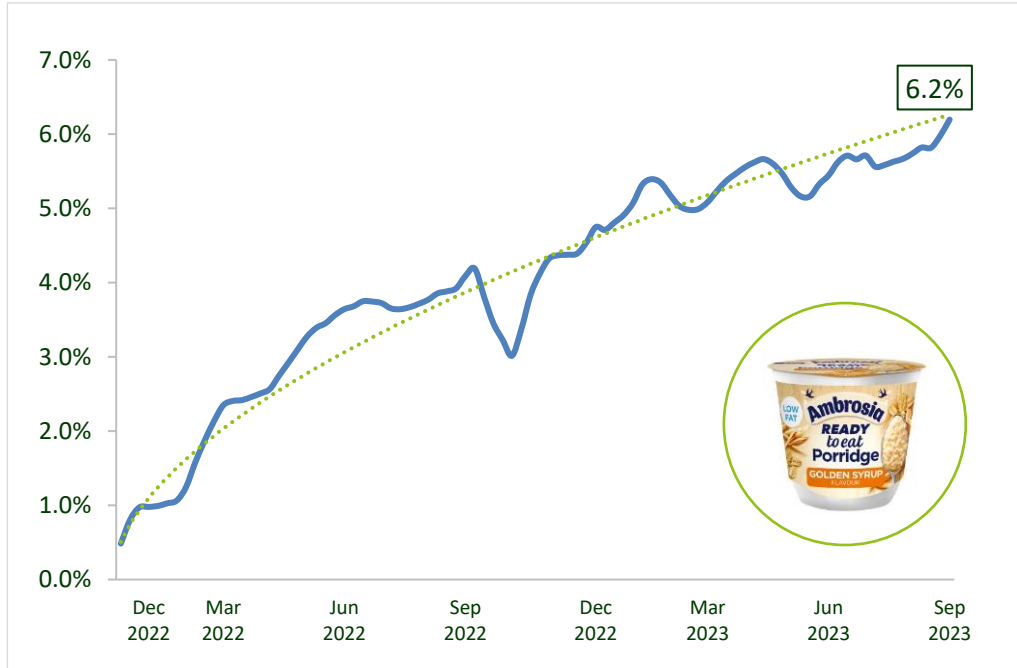
## Knighton site closure



- Increases Group branded sales mix
- Absolute & % margin accretive
- Reduces GHG scope 1&2 emissions
- Transfer some existing lines to Ashford & Carlton sites

# New categories grew revenue by 21% in FY24 H1

## Ambrosia Porridge



- Continuing to grow market share in high growth sub-category
- Reached 14.7% share in largest customer
- Product range extension to come in H2
- Launch into Irish market in second half

## Ice Cream



1. Leveraging Mr Kipling & Angel Delight brand equities to extend into ice-cream
2. Building distribution in major multiple retailers
3. Strong instore execution promoting consumer trial

## Cape Herb & Spice



1. Revenue in H1 more than doubled
2. Distribution expansion and market share continues to grow

## Oxo Rubs & Marinades








1. Range expansion with Chinese BBQ and Jerk BBQ launched in H1
2. Increased retailer distribution

# 4 International strategy

## Building global brands

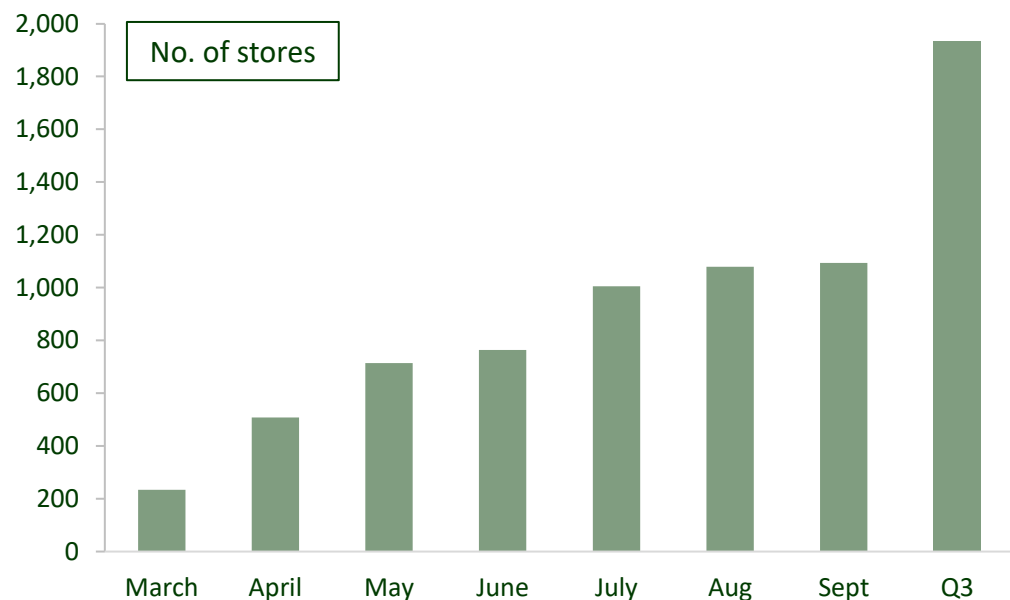
<p>Brand focus</p>	<ul style="list-style-type: none"> <li>Identify brands with greatest potential to be successful overseas</li> <li>Execute in market tests to validate launch model before rolling out more widely</li> <li>Ensure margin structure broadly in line with UK core business</li> </ul>	
<p>Execution obsession</p>	<ul style="list-style-type: none"> <li>Focus on optimising execution by market             <ul style="list-style-type: none"> <li>Right product</li> <li>In right stores</li> <li>Right price</li> <li>Right promotional plan</li> </ul> </li> </ul>	
<p>Application Of Branded Growth Model</p>	<ul style="list-style-type: none"> <li>Initial focus on excellent execution instore</li> <li>Supported by targeted cost efficient marketing support, e.g. digital and instore</li> <li>Introduce NPD once initial product range is established</li> <li>When scale reached, utilise mainstream media</li> </ul>	

## Market focus

 <p>Australia</p>
 <p>Ireland</p>
 <p>Europe</p>
 <p>USA</p>
 <p>Canada</p>

# International expansion gathering pace in US and Australia

## US cake: Strong progress building distribution



- Further stores will be added in Q3 and beyond
- Social media campaigns and instore activation to drive consumer trial
- Cake distribution increases helped drive US total revenue +53%

## Applying the Branded Growth Model to Australia cake



1

### Marketing investment



- TV media utilising successful UK 'Little Thief' advert plus Great Australian Bake Off sponsorship

2

### New product development



- H1 Launches included Salted Caramel slice and Caramel Bakewell Tarts

Source: Circana, August 2023

# The Spice Tailor: Leveraging the Branded Growth Model



## UK distribution growth and instore execution



**ASDA**

**Morrisons**  
Since 1899

- More than doubled weighted distribution across Asda & Morrisons



- Driving improved and more impactful instore display

## New product development



- Strong NPD pipeline for next 12 months

## Overseas market expansion



**DUNNES**  
STORES

*Musgrave*

- Doubling Ireland store distribution through Dunnes & Musgraves listings



**countdown**

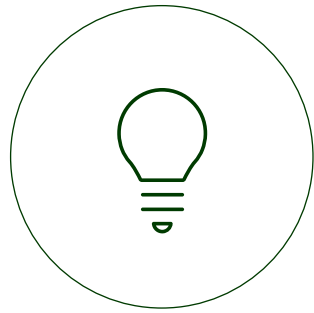
- Launched into 540 Countdown stores with 4 SKUs

*Well on track to deliver returns ahead of acquisition plan for full year*

5 We'll leverage our branded growth model to continue the growth trajectory of FUEL10K



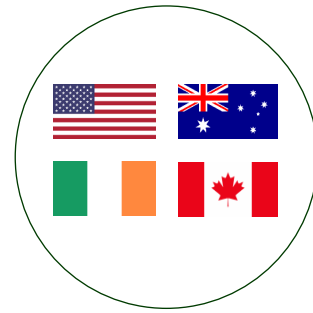
Increase distribution in UK retailers



Expand new product development pipeline



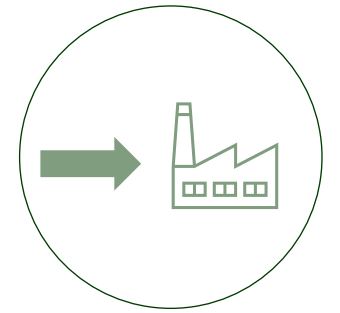
Upweight brand investment



International opportunities in existing geographies



Expand beyond breakfast heartland



Supply chain efficiency opportunities



# Recent results

## FY23/24 H1



# Strong progress against all metrics

Revenue<sup>1</sup>

**£484m**

+19.2%

Grocery market share

**+113bps**

vs prior year

Trading profit

**£68m**

+19.0%

Trading profit margin

**13.9%**

In line with prior year

Adjusted PBT

**£57m**

+21.2%

Net debt

**£65m**

lower than prior year



# Delivering on all our strategic growth pillars

**1**  
Grow the UK core



H1 UK Branded revenue growth

**2**  
Infrastructure investment



Investing in automation, efficiency and low energy

**3**  
Category expansion



Revenue up 21%

**4**  
International



International revenue growth

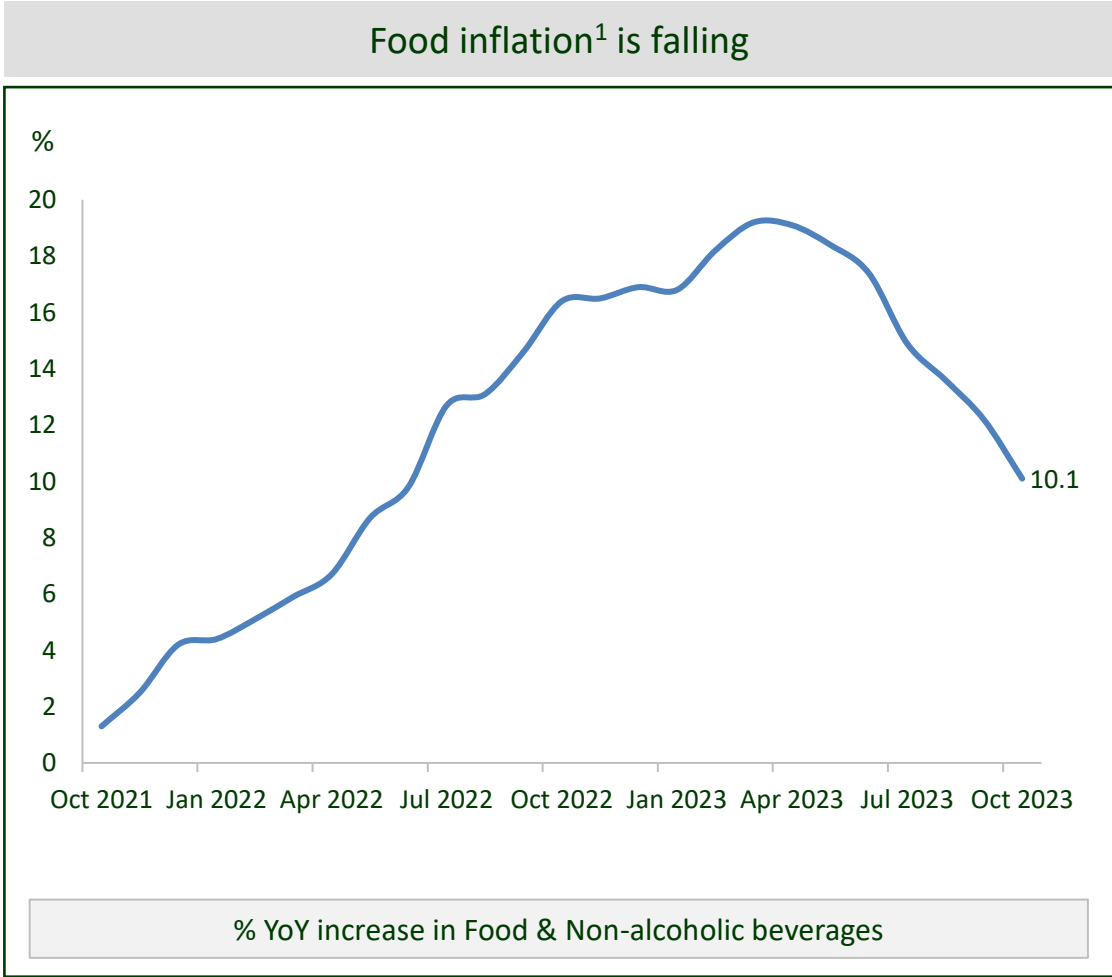
**5**  
Inorganic opportunities



FUEL10K acquisition

1 – Includes The Spice Tailor, excludes Knighton Foods

# Inflation is falling and we've lowered our promotional pricing







1 - Source: ONS, Food and Non-alcoholic Beverage Inflation, October 2023, 2 – Price points are at the sole discretion of the retailer



# Capital structure & pensions

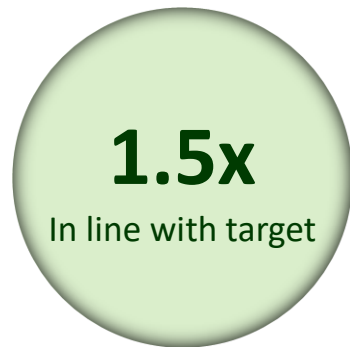


# Capital allocation principles

Context	A cash generative business with leading sector margins and increasing marketing investment	
Principles		Change over time
Pensions	<ul style="list-style-type: none"> <li>• Current contributions expected to reduce over time as RHM scheme creates further surplus on buyout valuation</li> </ul>	
Capex	<ul style="list-style-type: none"> <li>• Accelerated capital investment behind infrastructure to drive growth and facilitate cost reduction</li> </ul>	
M&A	<ul style="list-style-type: none"> <li>• Exploring further targeted acquisitions in the UK and selected international markets, retaining financial discipline</li> </ul>	
Dividend	<ul style="list-style-type: none"> <li>• Progressive dividend paid on full year basis</li> </ul>	
Leverage	Target of c.1.5x Net debt/EBITDA; M&A may increase leverage in short-term	

# A reminder of our financial strength

## Leverage



- Strong underlying cash generation
- Unutilised revolving credit facility with substantial covenant headroom

## Substantially fixed interest cost

Instrument	Bond	RCF
Quantum	£330m	£175m
Coupon/margin	3.5%	2.5% + SONIA
Tenor	October 2026	May 2025 +1

- Net cash balance of £63m at FY22/23 year end
- FY22/23 Net debt of £274m after The Spice Tailor acquisition
- Cash interest ongoing c.£20m per annum

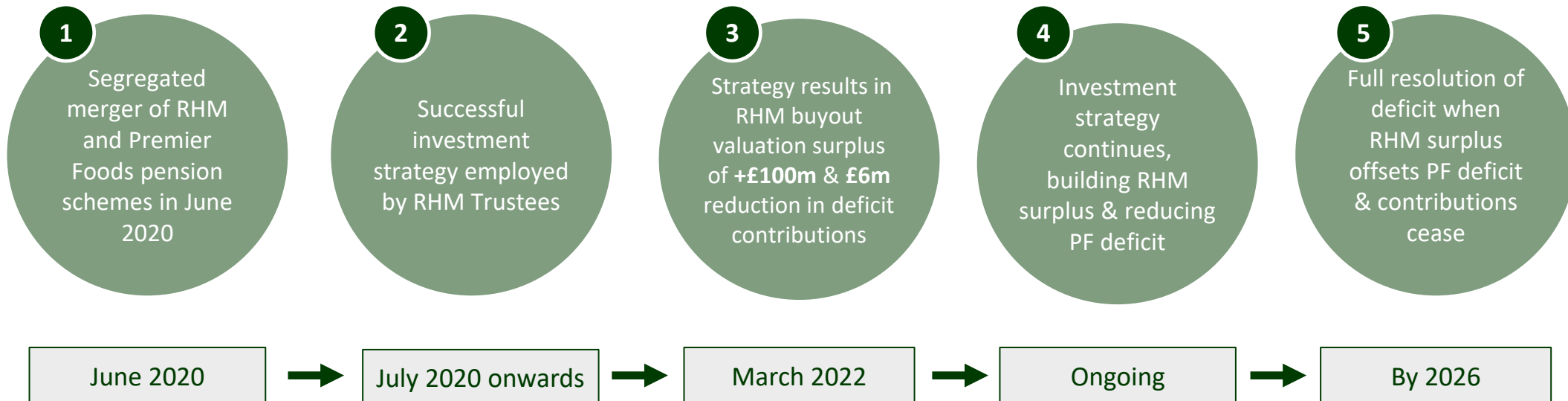
## Commodities & forex



- Broad based spend on commodities
- Forward contracts and hedging used where markets exist
- Neutral position re: US Dollar exposure
- Approximately €50m net purchases

# Pensions – A full resolution expected within 3 years

Significant progress since merger



*Free cash flow per annum will increase by c.75%<sup>1</sup>, opening up broader, deeper, capital allocation opportunities*

*1 – Excluding M&A, assuming £39m pension cash costs*



Other



# Cautionary statement



*This presentation may contain "forward-looking statements" that are based on estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements are all statements other than statements of historical fact or statements in the present tense, and can be identified by words such as "targets", "aims", "aspires", "assumes", "believes", "estimates", "anticipates", "expects", "intends", "hopes", "may", "would", "should", "could", "will", "plans", "predicts" and "potential", as well as the negatives of these terms and other words of similar meaning. Any forward-looking statements in this presentation are made based upon Premier Foods' estimates, expectations and beliefs concerning future events affecting the Group and subject to a number of known and unknown risks and uncertainties. Such forward-looking statements are based on numerous assumptions regarding the Premier Foods Group's present and future business strategies and the environment in which it will operate, which may prove not to be accurate. Premier Foods cautions that these forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in these forward-looking statements. Undue reliance should, therefore, not be placed on such forward-looking statements. Any forward-looking statements contained in this presentation apply only as at the date of this presentation and are not intended to give any assurance as to future results. Premier Foods will update this presentation as required by applicable law, including the Prospectus Rules, the Listing Rules, the Disclosure and Transparency Rules, London Stock Exchange and any other applicable law or regulations, but otherwise expressly disclaims any obligation or undertaking to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.*



# Definitions

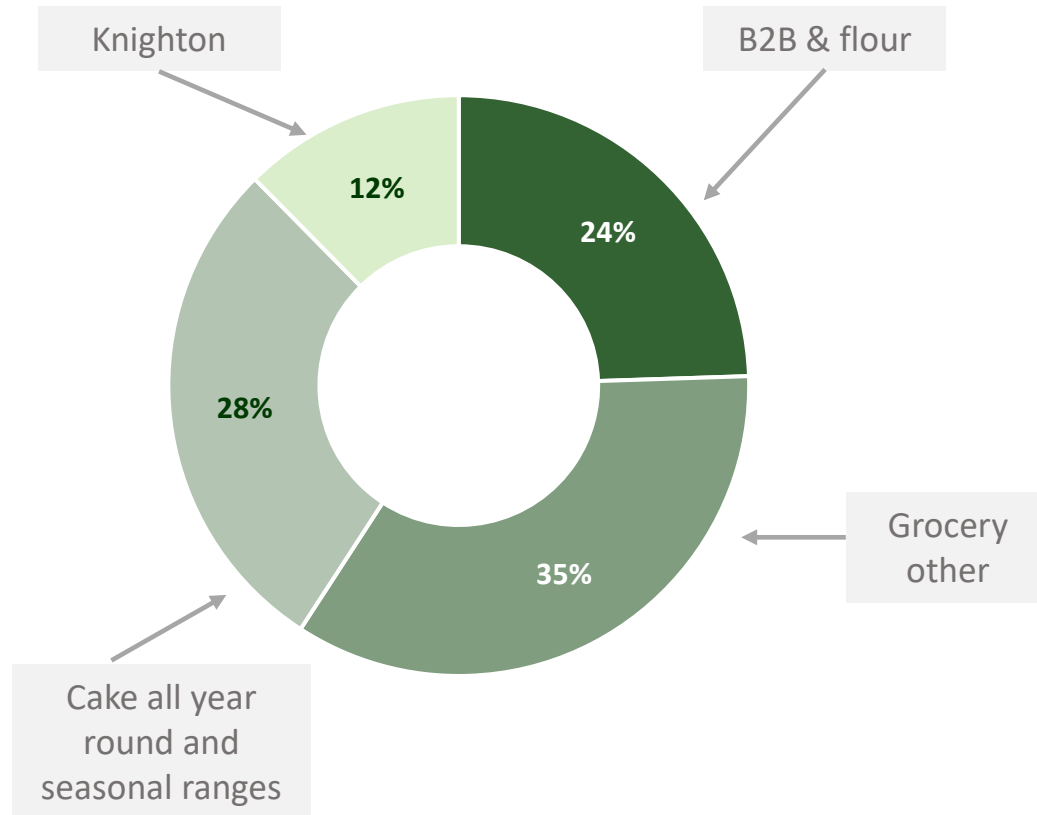
- The period 'FY23/24 H1' refers to the 26 weeks ended 30 September 2023, unless where otherwise stated. The period 'FY22/23 H1' refers to the 26 weeks ended 1 October 2022, unless otherwise stated.
- Trading profit is defined as Profit/(loss) before tax before net finance costs, amortisation of brand assets, non-trading items (items requiring separate disclosure by virtue of their nature in order that users of the financial statements obtain a clear and consistent view of the Group's underlying trading performance), fair value movements on foreign exchange and other derivative contracts and net interest on pensions and administration expenses and past service costs.
- 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, early redemption fees, other finance income and other interest payable. Adjusted earnings per share is defined as Adjusted profit before tax less a notional tax charge of 25% divided by the weighted average of the number of shares of 862.5 million (26 weeks ended 1 October 2022: 860.3 million).

# Statutory vs Headline Revenue

£m		Quarter 2			Half 1		
		Statutory	Knighton Foods	Headline	Statutory	Knighton Foods	Headline
<b>Grocery</b>	Branded revenue	168	-	168	317	-	317
	Non-branded revenue	28	(5)	23	55	(10)	45
	Total revenue	196	(5)	191	372	(10)	362
<b>Sweet Treats</b>	Branded revenue	49	-	49	100	-	100
	Non-branded revenue	13	-	13	22	-	22
	Total revenue	62	-	62	122	-	122
<b>Group</b>	Branded revenue	217	-	217	416	-	416
	Non-branded revenue	41	(5)	36	78	(10)	68
	Total revenue	258	(5)	253	494	(10)	484

# Non-branded

## Non-branded revenue by type



## Key principles & criteria

- Retention of branded IP
- Application of a Capex light approach
- Strict financial hurdles apply for new business
- Assists in supporting Manufacturing overhead recoveries

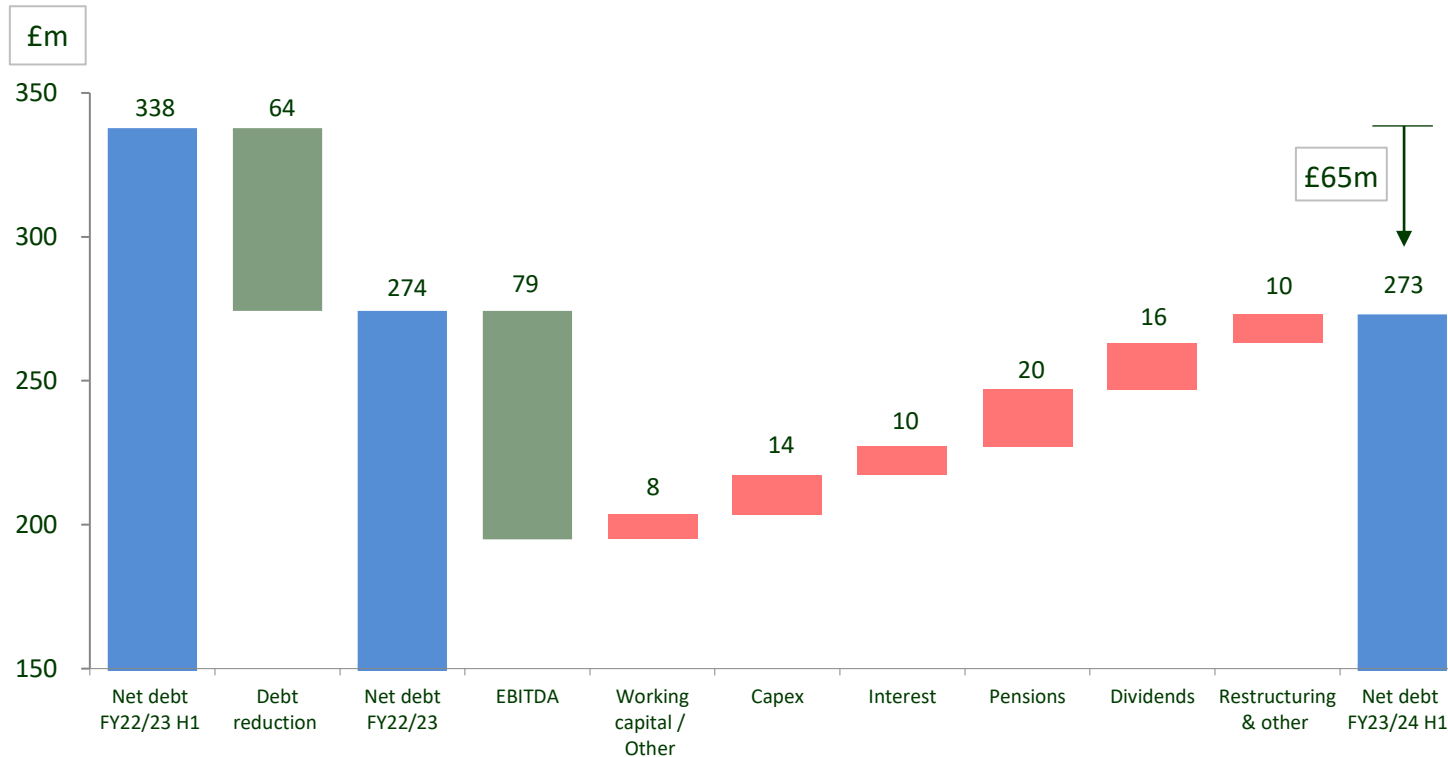
## FY23/24 H1 commentary

- Headline non-branded revenue up 44.8%
- Grocery +36.2%, principally due to pricing benefits
- Sweet Treats +66.0% due to contract wins in pies and tarts and price increases

# FY23/24 H1 Net debt £65m lower than a year ago



## Half year cash flow bridge



## FY23/24 guidance

£m

Working capital	Outflow
Depreciation (incl. software amortisation)	c.£25m
Brand & intangible amortisation	c.£20m
Capital expenditure	c.£35m
Restructuring	c.£20m
Interest – cash	c.£20m
Interest – P&L	c.£22m
Tax – cash	LSD £m's
Tax – notional P&L rate	25.0%
Pension deficit contributions	£33m
Pension administrative & PPF levy costs	c.£6m
FY22/23 cash dividend (incl pension match)	c.£16m

- Capex more than doubled compared to prior year, in line with guidance and infrastructure investment strategy
- FY23/24 Net debt expected to be lower than prior year even after FUEL10K acquisition consideration of £30m

# Pensions

IAS19 Accounting valuation (£m)	30 September 2023			1 April 2023		
	RHM	Premier Foods	Combined	RHM	Premier Foods	Combined
Assets	2,904	503	3,407	3,240	553	3,793
Liabilities	(2,077)	(672)	(2,749)	(2,292)	(735)	(3,027)
<b>Surplus/(Deficit)</b>	<b>827</b>	<b>(169)</b>	<b>658</b>	<b>948</b>	<b>(183)</b>	<b>766</b>
Discount rate		5.50%			4.80%	

- Liabilities reduced by £278m due to discount rate increase from 4.8% to 5.5%
- Asset values £386m lower at £3,401m
- Accounting pensions valuation doesn't directly drive deficit cash contributions

## Valuation methodology comparisons (£m)

Methodology	Timing	RHM	Premier Foods	Combined
1. Accounting	30 September 2023	827	(169)	658
2. Technical/Actuarial	31 March 2022	665	(368)	297
3. Buyout	31 March 2022	100+	Reducing	Deficit reducing
4. NPV of contributions	30 September 2023	N/A	(125)	(125)