



# INTRODUCTION

Important progress with strategic partnerships



## Financial results

+1.5%

H1 Revenue growth

+6.2%

Q2 Revenue growth

£48m  
Flat to prior  
year

Trading profit

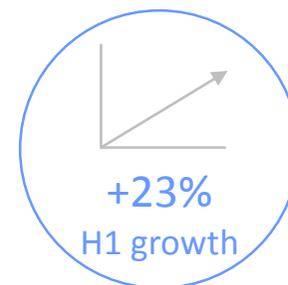
£535m

Net debt

## Strategic Highlights



Strategic partnerships



International revenue



Innovation



↑  
Distribution  
Space  
SKUs

Customers

International growth stated in constant currency



# OODLES OF FLAVOUR

Alastair Murray  
Chief Financial Officer



# GROUP HEADLINE RESULTS

Revenue growth +1.5% and Trading profit flat to prior year



£m	FY17/18 H1	FY16/17 H1	Change (%)	Q2 Change (%)
<b>Branded sales</b>	<b>295</b>	<b>295</b>	<b>(0.0%)</b>	<b>+5.7%</b>
Non-branded sales	58	53	+10.1%	+8.9%
<b>Total sales</b>	<b>353</b>	<b>348</b>	<b>+1.5%</b>	<b>+6.2%</b>
<b>Divisional contribution</b>	<b>63</b>	<b>63</b>	<b>+0.2%</b>	
Group & corporate costs	(15)	(15)	(1.2%)	
<b>Trading profit</b>	<b>48</b>	<b>48</b>	<b>0.0%</b>	
<i>Trading profit %</i>	<i>13.6%</i>	<i>13.8%</i>	<i>(0.2ppts)</i>	
<b>EBITDA</b>	<b>56</b>	<b>56</b>	<b>0.0%</b>	
<i>EBITDA %</i>	<i>15.9%</i>	<i>16.1%</i>	<i>(0.2ppts)</i>	

- A stronger second quarter driving revenue growth of +1.5% in the first half of the year
- Non-branded sales continue to demonstrate strong trajectory
- Logistics transformation programme on track
- Trading profit & EBITDA in line with prior year

# GROCERY

Strong quarter two revenue and lower Divisional contribution



£m	FY17/18 H1	FY16/17 H1	Change (%)	Q2 Change (%)
<b>Branded sales</b>	<b>215</b>	<b>213</b>	<b>+0.9%</b>	<b>+10.5%</b>
Non-branded sales	40	37	+7.4%	+6.1%
<b>Total sales</b>	<b>255</b>	<b>250</b>	<b>+1.9%</b>	<b>+9.7%</b>
<b>Divisional contribution</b>	<b>51</b>	<b>56</b>	<b>(8.5%)</b>	
<i>Divisional contribution %</i>	<i>20.2%</i>	<i>22.5%</i>	<i>(2.3ppts)</i>	

- Sales growth of +1.9% includes International growth
- UK grocery brands returned to volume and revenue growth in quarter two
- Divisional contribution lower due to
  - Timing of input cost inflation recovery
  - Manufacturing performance and
  - Knighton Foods

# SWEET TREATS

Margin progression due to marketing phasing and SG&A savings



£m	FY17/18 H1	FY16/17 H1	Change (%)	Q2 Change (%)
<b>Branded sales</b>	<b>81</b>	<b>83</b>	<b>(2.3%)</b>	<b>(5.8%)</b>
Non-branded sales	17	15	+17.0%	+15.7%
<b>Total sales</b>	<b>98</b>	<b>98</b>	<b>+0.7%</b>	<b>(2.3%)</b>
<b>Divisional contribution</b>	<b>12</b>	<b>7</b>	<b>+74.2%</b>	
<i>Divisional contribution %</i>	<i>11.7%</i>	<i>6.7%</i>	<i>+5.0ppts</i>	

- Continued good momentum of Cadbury cake core range
- Mr Kipling sales slightly lower than prior year
- Non-branded sales reflecting contract wins across a range of customers
- Growth in Divisional contribution reflecting:
  - Phasing of consumer marketing
  - Lower SG&A costs

# OPERATING PROFIT

Lower restructuring costs partly offset by Knighton Foods impairment



£m	FY17/18 H1	FY16/17 H1
<b>Trading profit</b>	<b>48</b>	<b>48</b>
Amortisation of intangible assets	(18)	(19)
Foreign exchange fair value movements	1	1
Restructuring costs	(3)	(7)
Net interest on pension and administration costs	(1)	(1)
<b>Operating profit before impairment of goodwill</b>	<b>27</b>	<b>22</b>
Impairment of goodwill	(4)	-
<b>Operating profit</b>	<b>23</b>	<b>22</b>

- Restructuring costs associated with logistics transformation programme of £3m and lower than prior year
- Knighton Foods goodwill impairment of £4m

# ADJUSTED EARNINGS PER SHARE

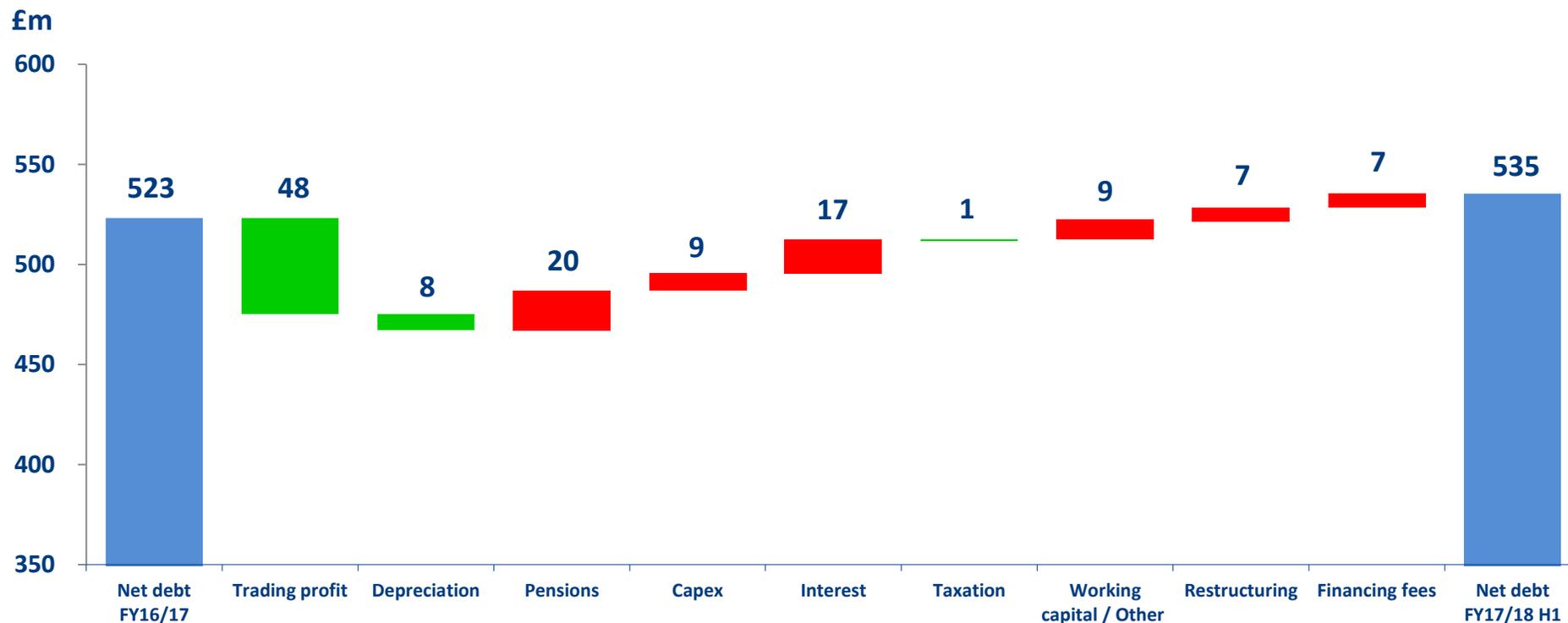
Slightly ahead of prior year due to marginally lower interest and tax



£m	FY17/18 H1	FY16/17 H1	Change (%)
<b>Trading profit</b>	<b>48</b>	<b>48</b>	<b>0.0%</b>
Net regular interest	(22)	(22)	+0.6%
<b>Adjusted PBT</b>	<b>26</b>	<b>26</b>	<b>+0.5%</b>
Notional tax @ 19%/20%	(5)	(5)	+4.6%
<b>Adjusted earnings</b>	<b>21</b>	<b>21</b>	<b>+1.7%</b>
Weighted average shares in issue (million)	834.2	827.7	
<b>Adjusted earnings per share (pence)</b>	<b>2.56p</b>	<b>2.54p</b>	<b>+0.9%</b>

- Marginally lower interest reflects reduced drawings on bank RCF
- Notional tax rate 19% compared to 20% in FY16/17
- Weighted average shares higher due to employee share awards

# NET DEBT OF £535m AT HALF YEAR



- Half year Net debt of £535m is £21m lower than £556m reported at previous Half year
- Cash guidance broadly unchanged for Full Year
- Restructuring costs associated with SG&A overhead cost reductions and logistics transformation programme
- Increase in Net debt at the Half year compared to year end reflects the natural working capital cycle of the Group

# COMBINED PENSION SCHEMES – ACCOUNTING BASIS

Slight reduction in Premier Foods schemes deficit

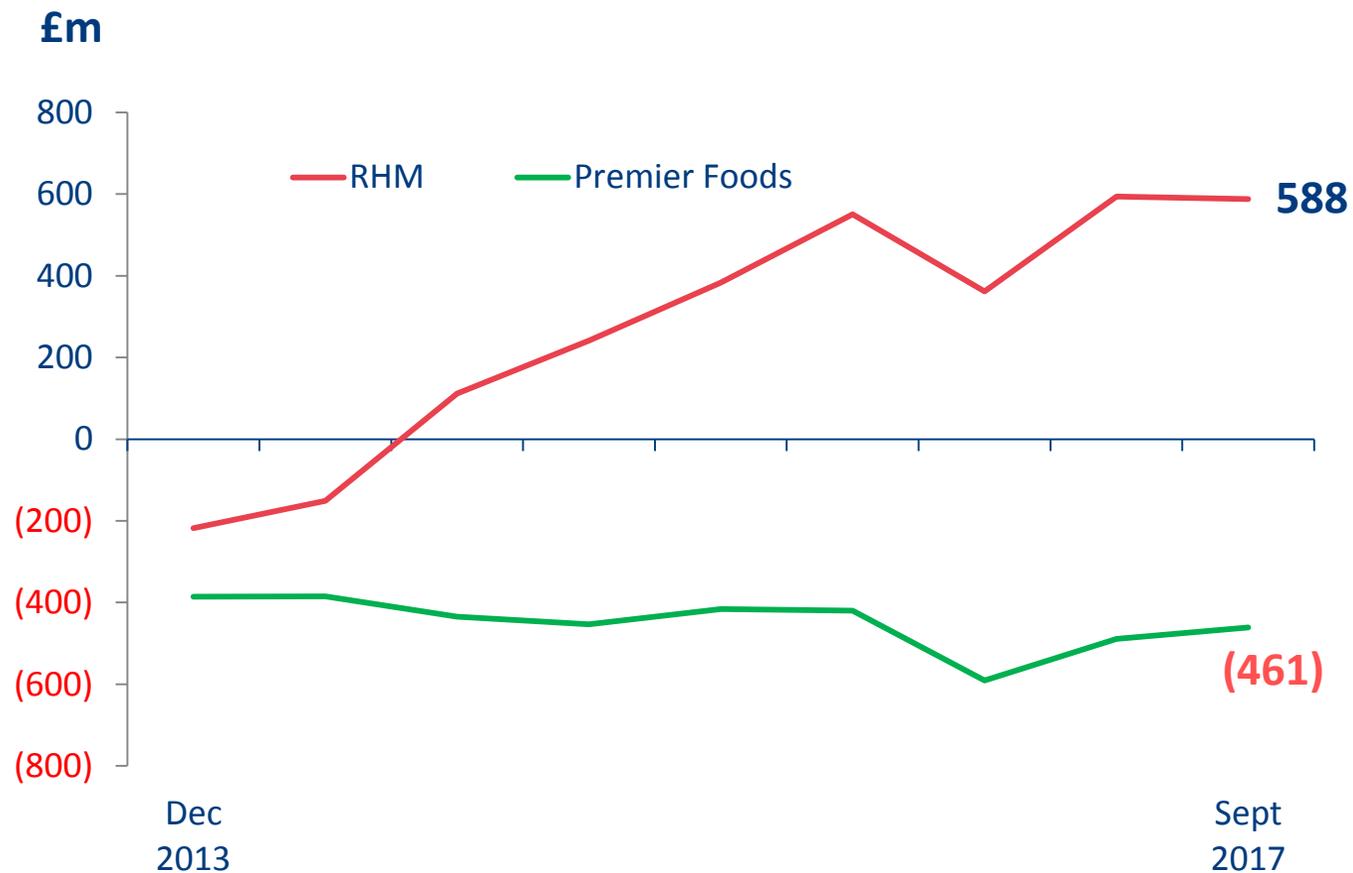


IAS19 Accounting valuation (£m)	<u>30 September 2017</u>			<u>1 April 2017</u>		
	RHM	Premier Foods	Combined	RHM	Premier Foods	Combined
Assets	4,061	661	4,722	4,191	674	4,865
Liabilities	(3,473)	(1,122)	(4,595)	(3,597)	(1,163)	(4,760)
<b>Surplus/(Deficit)</b>	<b>588</b>	<b>(461)</b>	<b>127</b>	<b>594</b>	<b>(489)</b>	<b>105</b>
<b>Surplus/(Deficit) net of deferred tax (Tax @ 17.0%)</b>	<b>488</b>	<b>(383)</b>	<b>105</b>	<b>493</b>	<b>(406)</b>	<b>87</b>
Discount rate	2.70%	2.70%	2.70%	2.65%	2.65%	2.65%
Inflation rate (RPI)	3.20%	3.20%	3.20%	3.30%	3.30%	3.30%

- Scheme liabilities lower due to increase in discount rate and reduction in inflation rate assumptions
- Swap valuations lower partly due to discount rate movement
- Government bonds higher as RHM scheme switching some swaps to Gilts

# PENSION SCHEMES VALUATION EVOLUTION

Position of principle schemes relatively stable



# FY17/18 CASH GUIDANCE

Guidance broadly unchanged



<b>FY17/18 guidance</b>	<b>£m</b>
Working capital	Slightly negative
Depreciation	£16-£18m
Capital expenditure	£20-£22m
Interest – cash	£40-£43m
Interest – P&L	£45-£48m
Tax – cash	Nil
Tax – notional P&L rate	19.0%
Pension deficit contributions	£35m
Pension administrative & PPF levy cash costs	£4-£6m
Restructuring costs	£10-£12m
Financing fees	c.£7m



**NEW**

# Angel Delight

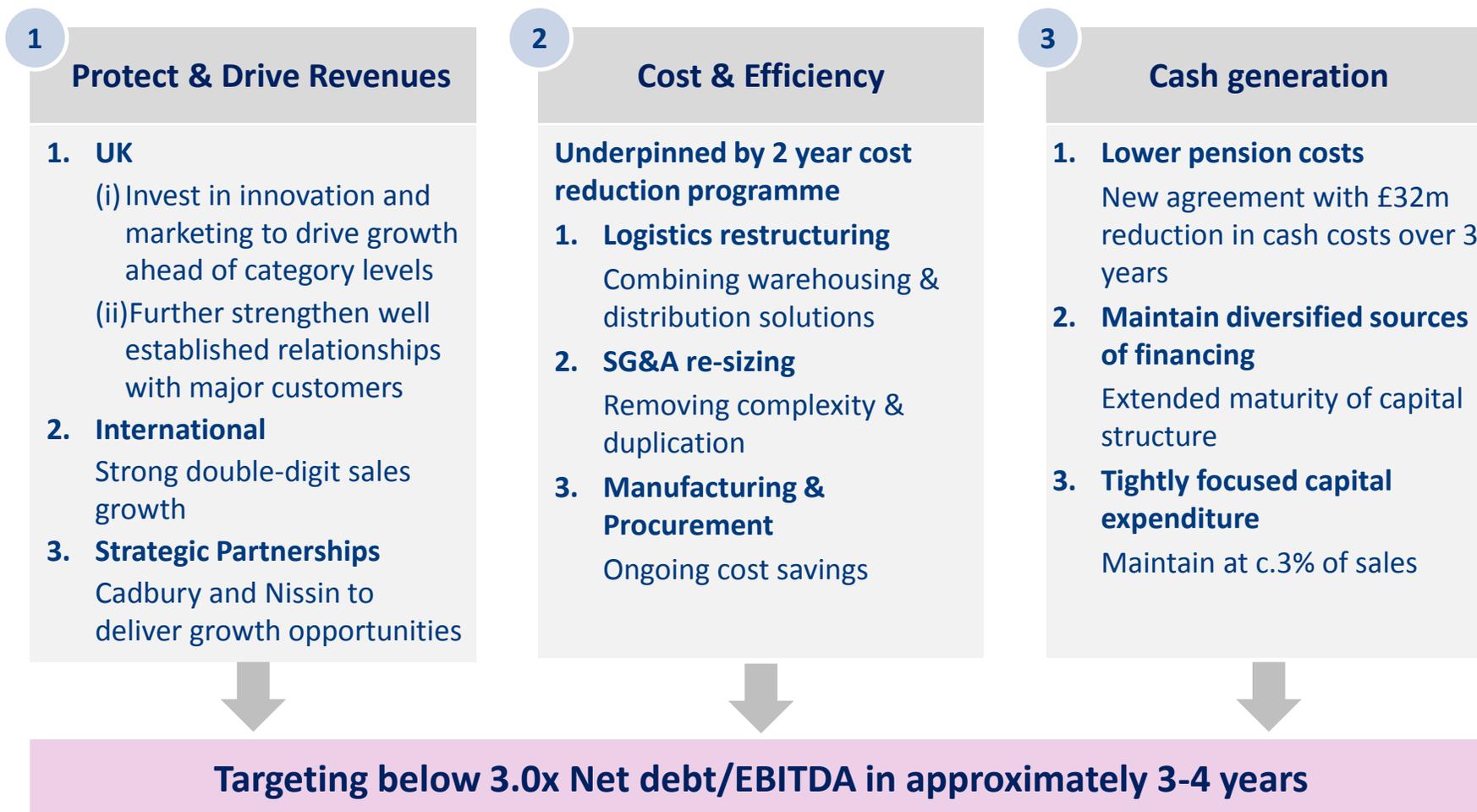
Gavin Darby  
Chief Executive Officer  
Operational review



**Available now**

# STRATEGY TO REDUCE LEVERAGE BELOW 3x

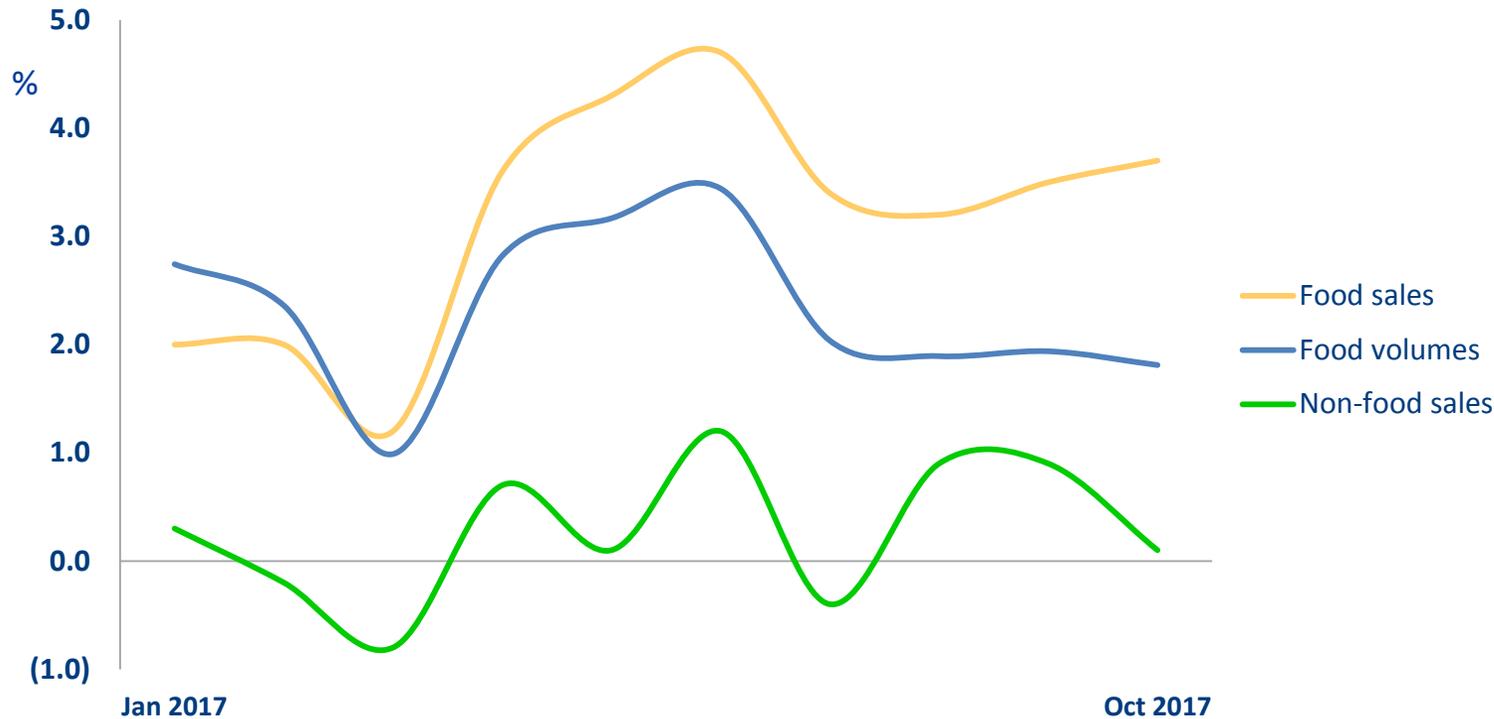
A balance between growth, cost control & cash generation



Corporate Responsibility and Sustainability

# INDUSTRY CONTEXT

Latest BRC data shows retail sales slowed – but food sales & volumes buoyant

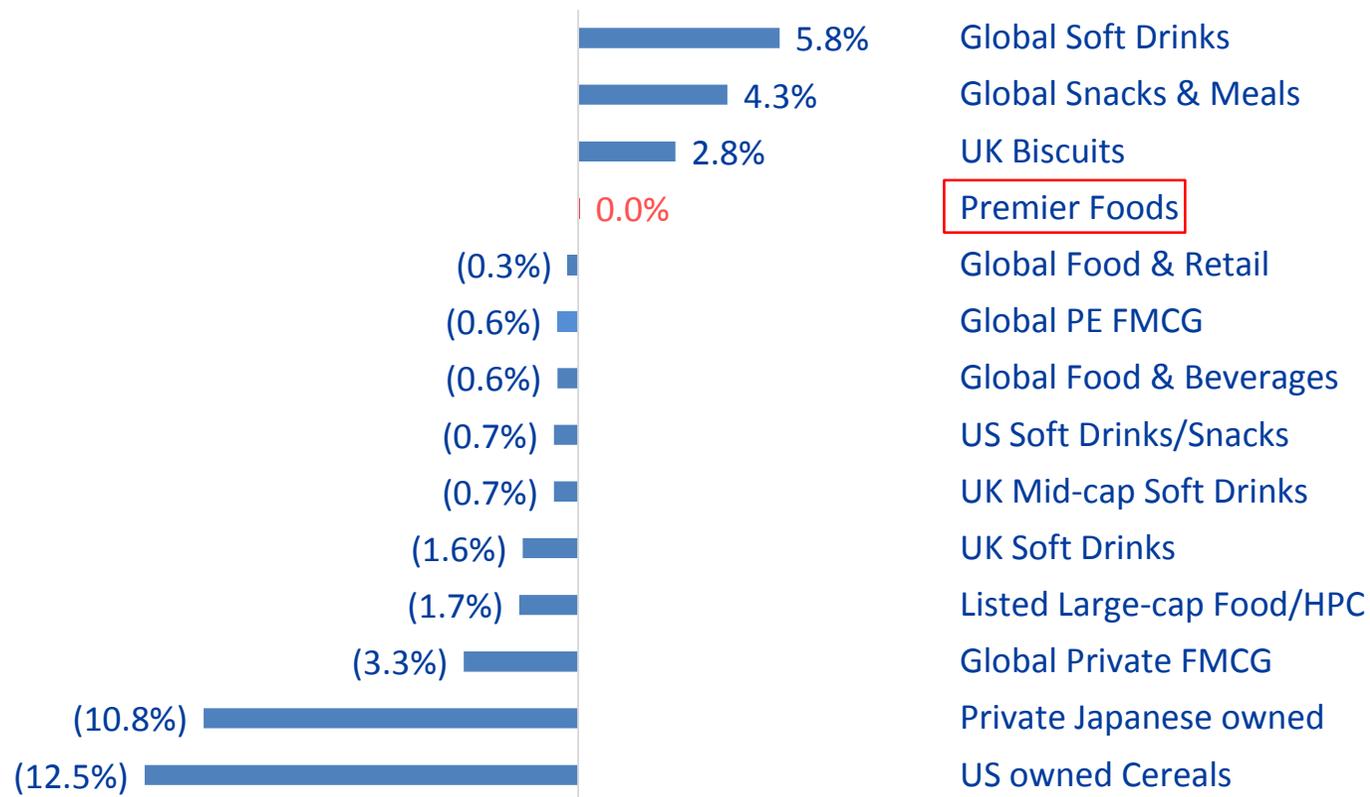


- UK food retail sales remain resilient:
  - Food sales & volume growth while non-food sales slowing
  - Inflation around +3.2% and limited evidence of trading down
- Asda income tracker of disposable income broadly stable over last 18 months
- Casual dining sector like for like revenues subdued with high levels of discounting

Source: British Retail Consortium, October 2017

# OUR RECENT PERFORMANCE SET AGAINST PEERS

Year to date picture removes Easter phasing effect



# AS EXPECTED, QUARTER 1 WAS A CHALLENGING ONE

Q1 revenue declined, positive market shares and strategic partnerships

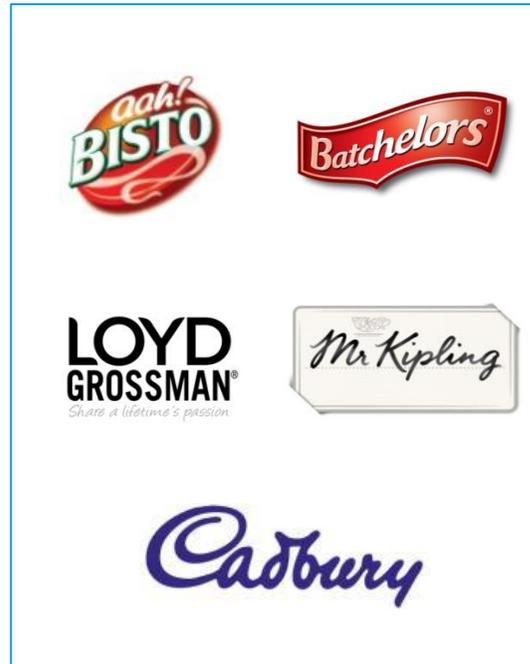


## Q1 sales

1. Promotional Investment, particularly affecting Desserts category
2. Lower category volumes in June, impacted Bisto, Oxo, Ambrosia & Sauces

**(3.1%)**  
Q1 Revenue decline

## Market share gains



## Strategic partnerships



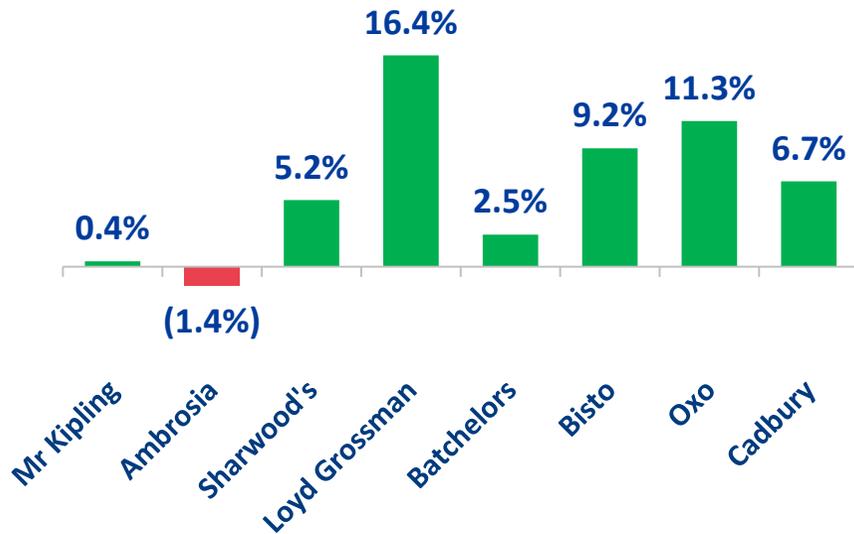
# A RETURN TO BRANDED VOLUME & REVENUE GROWTH IN Q2

Batchelors now delivered three successive quarters' growth



## Q2 Volume growth

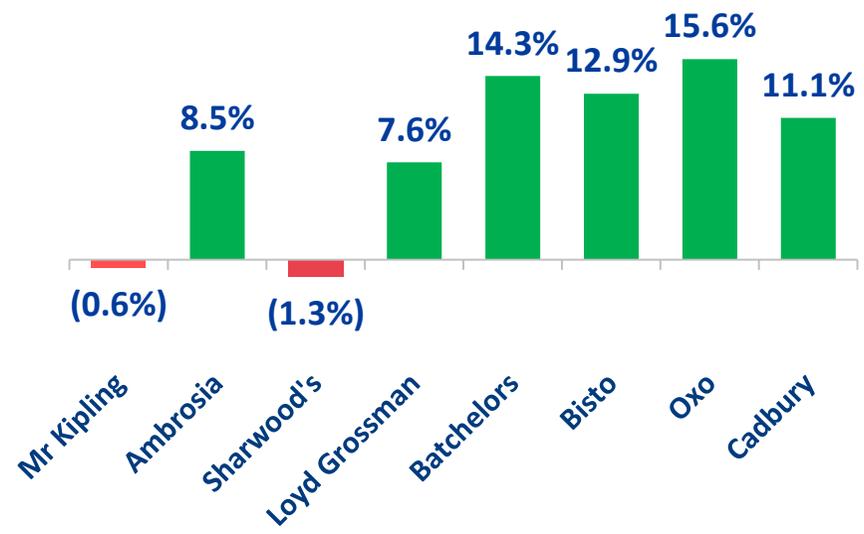
% movement year on year



**+3.6%**  
Average

## Q2 Revenue growth

% movement year on year



**+7.7%**  
Average

# STRATEGIC PARTNERSHIPS

We have a great platform to leverage future growth



- Nissin partnership provides access to Noodle supply chain and R&D expertise worldwide, in addition to commercial relationships
- Expanded scope of Mondelez International agreement affords enhanced opportunity of International growth through new geographies and Cadbury and Oreo brands

*Nissin revenues stated in approximate US\$. Equates to ¥496billion*

# STRATEGIC PARTNERSHIPS DELIVERING GROWTH

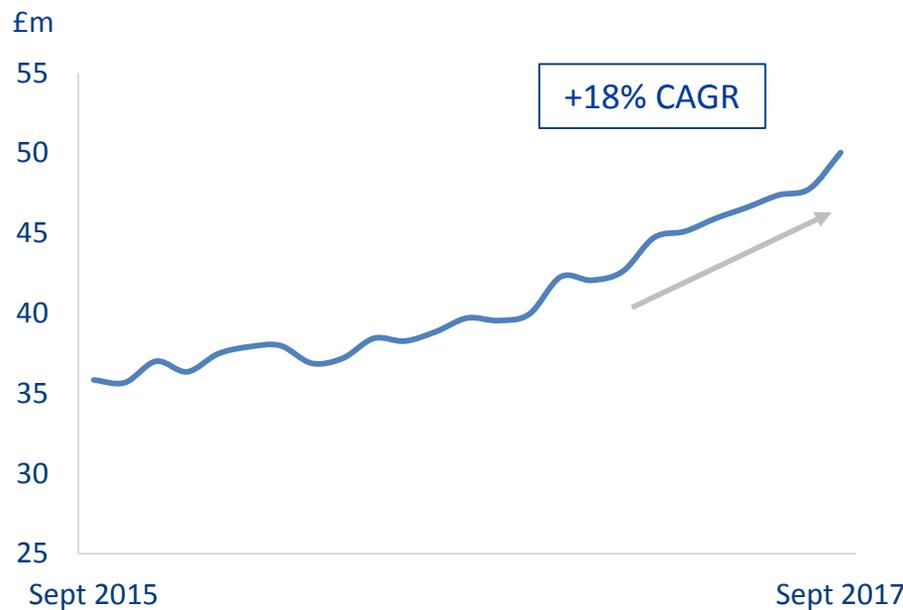
Q2 growth through Super Noodles and Soba Pots, Cadbury International



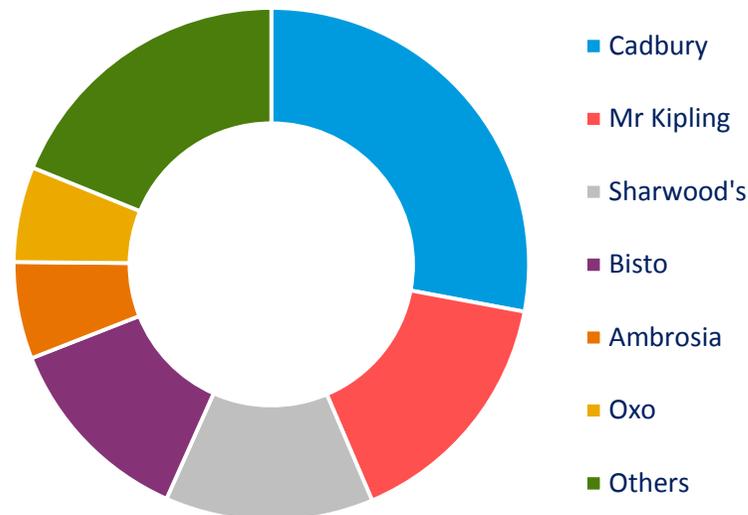
- Nissin partnership delivered Batchelors Super Noodle Pots and Soba Pots
- Nissin Cup Noodle just launched in UK
- Australia now Group's second largest market after UK, due to Cadbury growth

# INTERNATIONAL CONTINUES ITS STRONG TRAJECTORY

Cadbury, Mr Kipling and Sharwood's are our biggest brands



Rolling 12 month revenue



International revenue x brand

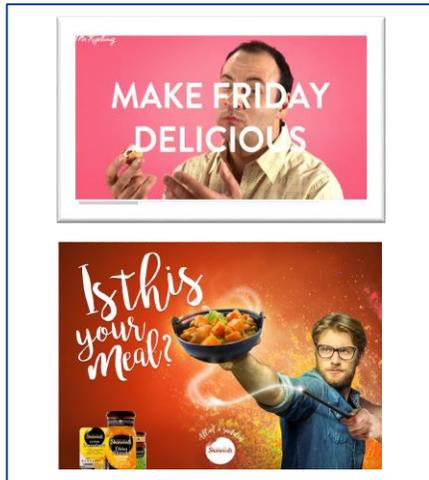
- Revenue growth in Australia through Mr Kipling and Cadbury cake
- Ireland business growing share
- Medium term expectations for double digit growth unchanged

# INTERNATIONAL MOMENTUM BUILDING

Brand building in key geographies through direct marketing

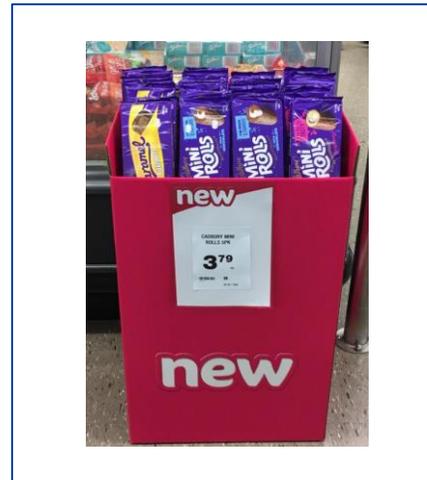


## Australia



- Direct marketing – 2<sup>nd</sup> social media campaign for Mr Kipling, follows Sharwood's last year

## New Zealand



- Q3 Cadbury cake & Mr Kipling launch in New Zealand following success in Australia

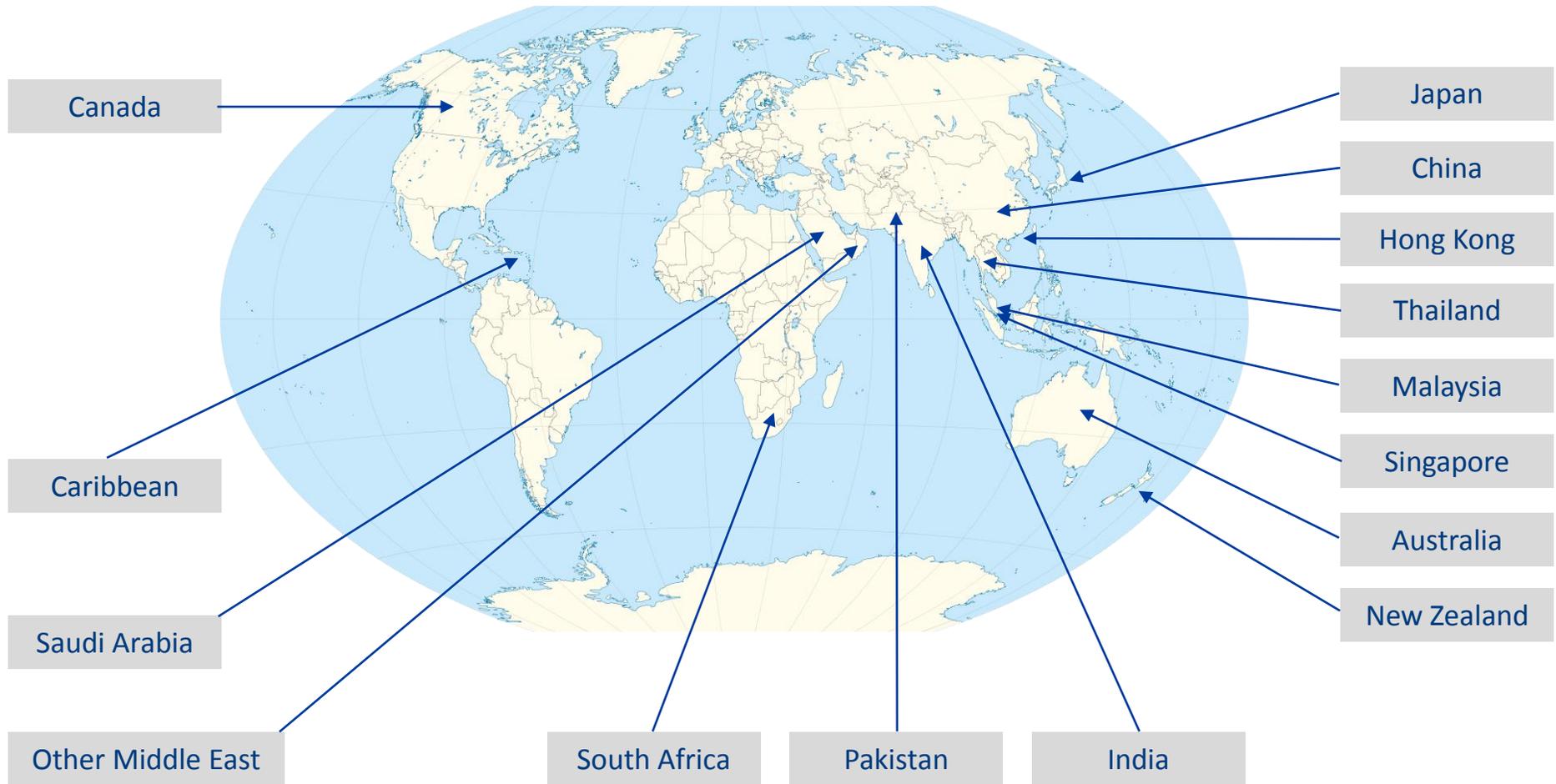
## USA



- Sharwood's expansion in USA
- Further distribution with major retailer

# MONDELEZ INTERNATIONAL GLOBAL STRATEGIC PARTNERSHIP

Signed agreement expands access to 46 countries worldwide



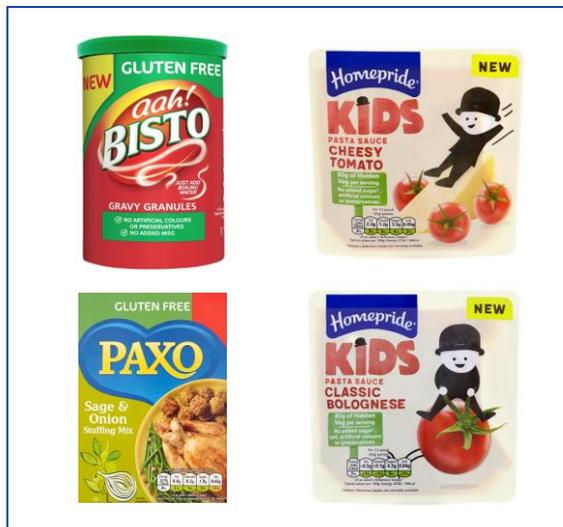
# GROCERY HIGHLIGHTS

Innovation stream aligned to consumer trends



## Health & Nutrition

Gluten free and Homepride Kids



- Bisto & Paxo Gluten free ranges
- Homepride Kids cooking sauces: Green traffic lights: low fat, no added sugar

## Snacking/On the go

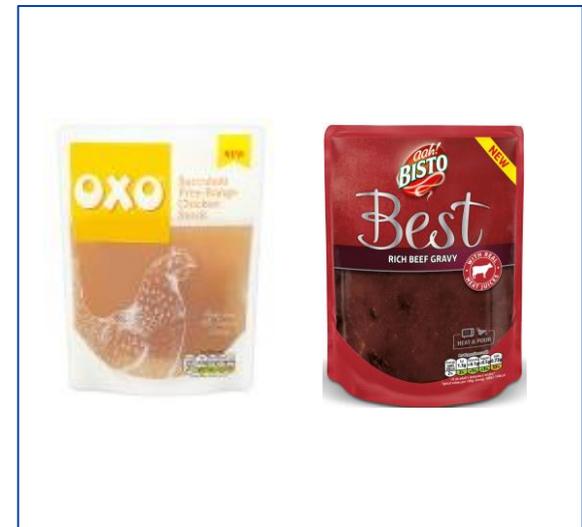
Angel Delight & Batchelors Pots



- Angel Delight in H1
  - 9% Volume growth
  - 30% Revenue growth
- Batchelors Pasta 'n' Sauce pots performing strongly

## Convenience

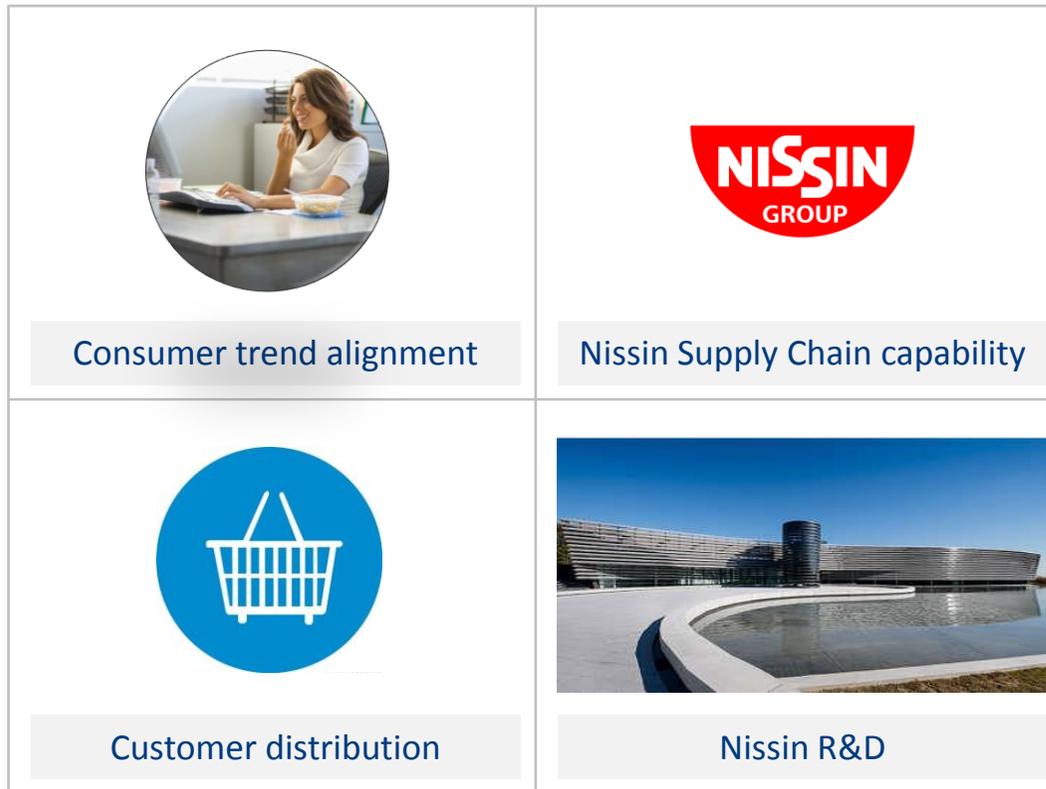
Oxo and Bisto Ready to use



- Bisto & Oxo grew volumes, revenue and share points in Quarter 2

# BATCHELORS GROWTH UP TO 8% IN H1

A blend of factors delivering progress in volume and revenue



# SWEET TREATS HIGHLIGHTS

Mondelez International Strategic Global Partnership signed during H1



## Cadbury

Core range continues to deliver good momentum



8.4%

Value share

- Cadbury cake hit its highest ever 52 w/e value market share of 8.4% during H1

## Mr Kipling – On The Go

Revenue growth, margin enhancing and expanding reach



+55%

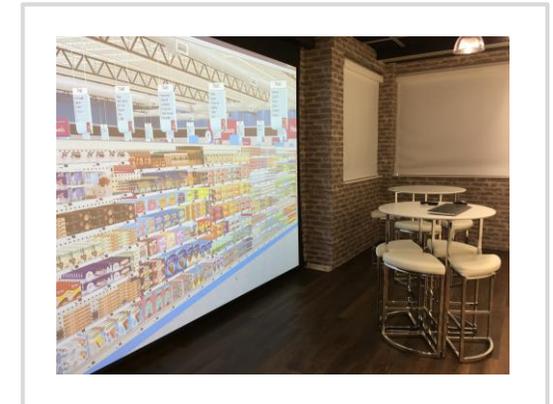
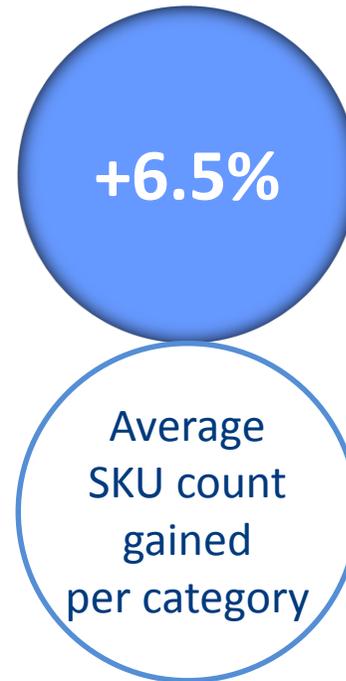
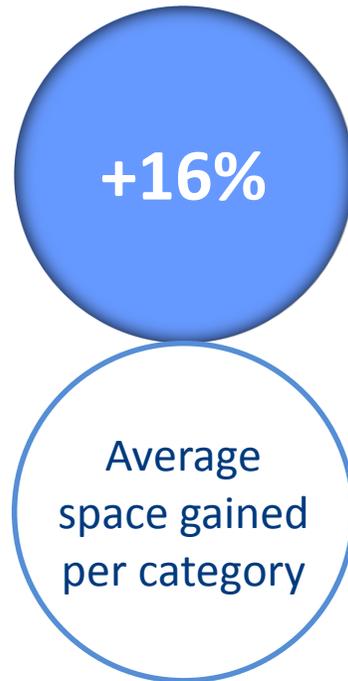
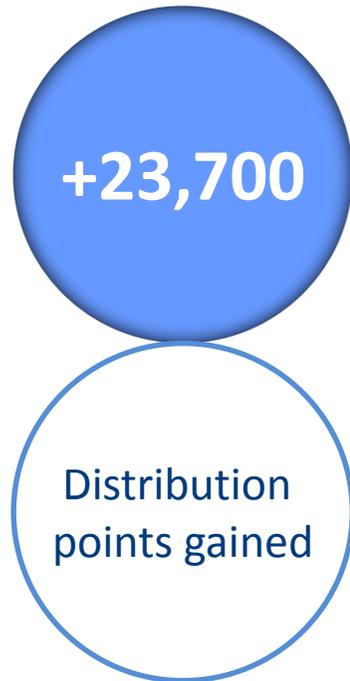
OTG H1  
Revenue

+4,000

Outlets

# RECENT RETAILER RANGE REVIEWS

Excellent category KPIs on Distribution, Space and SKU numbers

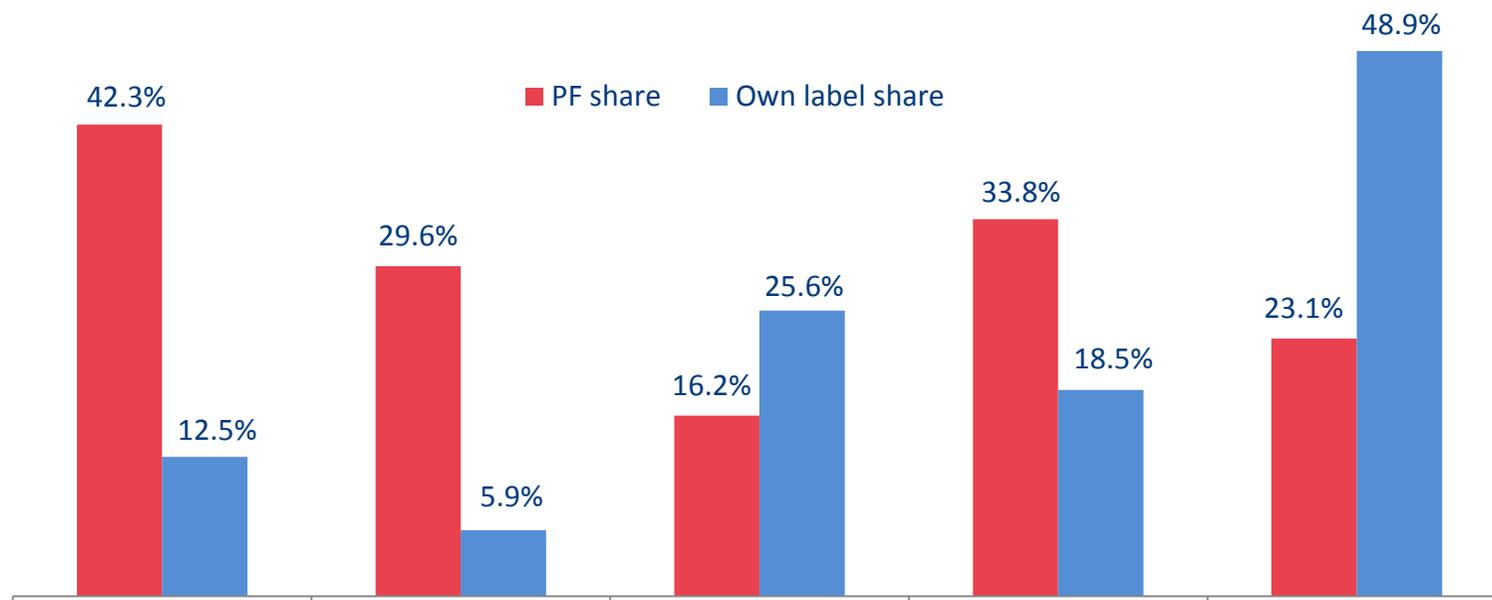


In house virtual category merchandising facility

*Note: Some range reviews yet to be completed*

# RETAILER BRANDS

Both PF brands and retailer brand generally gaining market share



Share growth/(decline)	Flavourings & Seasonings	QMS	Cooking Sauces	Ambient Desserts	Ambient Cake
Market size	£390m	£362m	£817m	£290m	£1,012m
PF	+0.4ppt	+1.7ppt	+0.1ppt	(1.8ppt)	+0.0ppt
Retailer brand	+1.0ppt	(1.2ppt)	+1.2ppt	+2.1ppt	+2.4ppt

Source: IRI 26 weeks ended 30 September 2017

# SUPPLY CHAIN UPDATE

Logistics transformation programme remains on track



1

## Logistics Transformation



- Consolidation of Grocery & Sweet Treats distribution centres
- Transformation on track to deliver planned benefits in FY18/19 after some initial implementation challenges

2

## Manufacturing

- Knighton Foods impacted by lower volumes and plant efficiencies
- Additional labour costs associated with launch of Batchelors Pasta pots at Ashford
- Ambrosia promotional optimisation resulted in temporarily lower volumes, which are now returning
- Exit of third party manufacturing contract with associated oncosts

# SUMMARY & OUTLOOK

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- Overall revenue growth in H1 and volume driven revenue growth in Q2, +6.2%
- International business grew +23% in H1 and +30% in Q2
- Strategic relationships delivered 44% of revenue growth in Q2
- New advertising campaigns in second half with strong support for Bisto & Oxo in Q3
- Cost reduction programme on track
- New £210m 5 year Senior Secured Floating rate notes issue completed
- FY17/18 expectations unchanged with progress anticipated in second half



# PREMIER FOODS



# Q&A

**NISSIN**

# Soba

## Appendix



# CAUTIONARY STATEMENT

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*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.*

- The period 'FY17/18 H1' refers to the 26 weeks ended 30 September 2017. The period 'FY16/17 H1' refers to the 26 weeks ended 1 October 2016.
- The period 'Q2' refers to the thirteen weeks ended 30 September 2017 and the comparative period, the thirteen weeks ended 1 October 2016.
- Trading profit is defined as Profit/(loss) before tax before net finance costs, profits and losses from share of associates, 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 834.2 million (26 weeks ended 1 October 2016: 827.7 million).

# LEADING CATEGORY POSITIONS

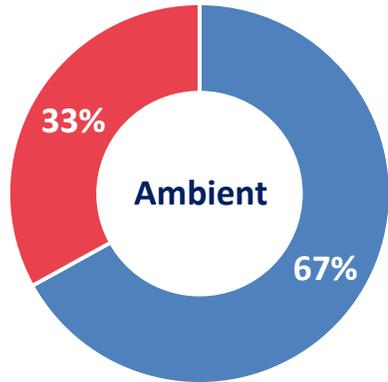
Strong market shares and high household penetration



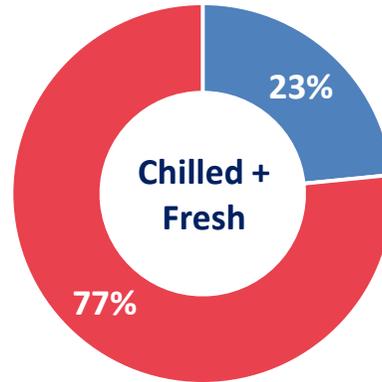
Categories						
	Brands			Position	Share	Penetration
Flavourings & Seasonings				1	43%	73%
Quick Meals, Snacks & Soups				=1	30%	46%
Ambient Desserts				1	37%	61%
Cooking Sauces & Accompaniments				1	16%	54%
Ambient Cakes				1	23%	64%

# RETAILER BRAND

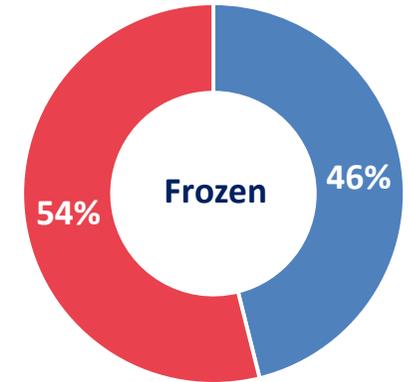
Ambient grocery shows lowest prevalence of retailer brand in UK grocery



■ Branded ■ Non-branded



■ Branded ■ Non-branded



■ Branded ■ Non-branded

Market size	£29bn	£44bn	£6bn
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	Flavourings & Seasonings	QMS	Cooking Sauces	Ambient Desserts	Ambient Cake
Market size	£390m	£362m	£817m	£290m	£1,012m
PF share	43.2%	29.8%	16.4%	37.2%	23.3%
Own label share	12.0%	6.1%	25.6%	17.8%	50.4%

Source: IRI 52 weeks ended 2 September 2017

# INTEREST & TAXATION



## Interest

£m	FY17/18 H1	FY16/17 H1
Senior secured notes interest	16	15
Bank debt interest	4	5
<b>Cash interest</b>	<b>20</b>	<b>20</b>
Amortisation of debt issuance costs	2	2
<b>Net regular interest</b>	<b>22</b>	<b>22</b>

## Taxation

- Deferred tax asset of £31m at 30 September 2017 (1 April 2017: £32m)
- Capital allowances in excess of depreciation
- Total recognised assets relating to losses = c.£54m, equivalent to c.£320m taxable profits in future periods
- Notional corporation tax 19.0% in FY17/18; deferred tax rate 17.0%
- Cash tax expected to be nil for medium term

# PENSIONS – COMBINED SCHEMES



£m	30 Sept 2017	1 April 2017
Assets	4,722	4,865
Liabilities	(4,595)	(4,760)
<b>Surplus</b>	<b>127</b>	<b>105</b>
<b>Surplus net of deferred tax @ (17.0%)</b>	<b>105</b>	<b>87</b>

Key IAS 19 assumptions	30 Sept 2017	1 April 2017
Discount rate	2.70%	2.65%
Inflation rate (RPI/CPI)	3.2%/2.1%	3.3%/2.2%
Mortality assumptions	LTI +1.0%	LTI +1.0%

- Combined schemes deficit reflects RHM schemes surplus of £588m partly offset by Premier schemes deficit of £461m

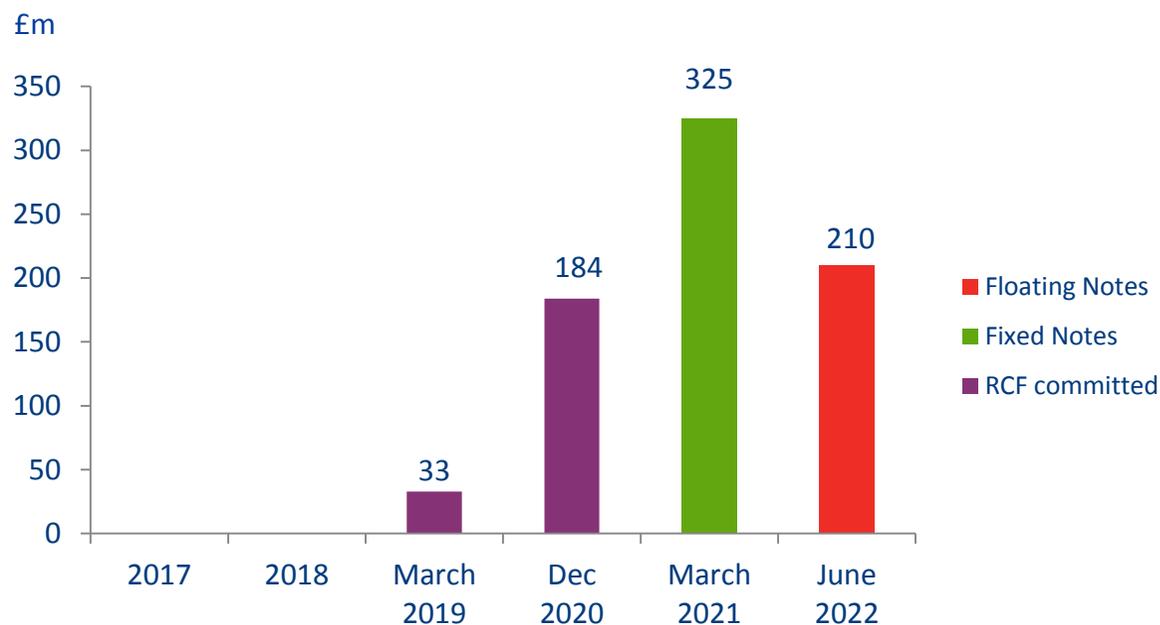
Scheme Assets (£m)	30 September 2017	1 April 2017
Equities	443	527
Government bonds	867	519
Corporate bonds	23	23
Property	344	357
Absolute/Target return	1,245	1,284
Cash	143	69
Infrastructure funds	236	243
Swaps	707	1,116
Private equity	314	322
Other	400	405
<b>Total</b>	<b>4,722</b>	<b>4,865</b>

# CAPITAL STRUCTURE

Recent refinancing extends maturity of RCF and Senior Secured Notes



## Current debt maturity profile



- Appropriate liquidity and a comfortable maturity profile post the refinancing
- First maturity in 2019
- Total committed RCF £217m following refinancing

# BALANCE SHEET



£m	30 September 2017	1 April 2017
Property, plant & equipment	184	188
Intangibles / Goodwill	1,093	1,114
Retirement benefit assets	588	594
Deferred tax	31	32
<b>Non-current Assets</b>	<b>1,896</b>	<b>1,928</b>
Working Capital - Stock	90	72
- Debtors	80	65
- Creditors	(215)	(192)
<b>Total Working Capital</b>	<b>(45)</b>	<b>(55)</b>
Net debt		
Gross debt	(545)	(526)
Cash	10	3
<b>Total Net debt</b>	<b>(535)</b>	<b>(523)</b>
Retirement benefit obligations	(461)	(489)
Other net liabilities	(58)	(68)
<b>Net Assets</b>	<b>797</b>	<b>793</b>
Share capital & premium	1,490	1,490
Reserves	(693)	(697)
<b>Total equity</b>	<b>797</b>	<b>793</b>