Premier Foods FY18/19 Half year results - Factsheet

"Trading profit up 6.2% - potential disposal of Ambrosia"

FINANCIAL HEADLINES

+1.3% / **+1.0%** — H1 & Q2 Revenue growth

+6.2% — Trading profit

+13.8% — Adjusted eps

£510m / **↓£26m** — Net debt

- Operating profit up +25.7% to £28.3m
- Adjusted profit before tax up +14.3% to £30.2m
- Statutory loss before tax (£2.2m); Loss after tax (£0.7m)
- Pensions combined surplus £282.7m

OPERATIONAL HEADLINES

Mr Kipling revenue +13%

Batchelors pots range revenue +100%

Logistics challenges

DETAILED KEY FINANCIALS

Group performance - (£m)	FY18/19 H1	FY17/18 H1	%
Branded sales	296.9	295.3	0.5%
Non-branded sales	61.1	58.0	5.5%
Total sales	358.0	353.3	1.3%
Divisional contribution	68.3	62.9	8.5%
Group & corporate costs	(17.3)	(14.9)	(16.1%)
Trading profit	51.0	48.0	6.2%
EBITDA	59.4	56.1	5.9%

Adjusted Earnings per share	FY18/19 H1	FY17/18 H1	%
Trading profit	51.0	48.0	6.2%
Less: net regular interest	(20.8)	(21.6)	3.6%
Adjusted Profit before tax	30.2	26.4	14.3%
Less: notional tax @ 19.0%	(5.7)	(5.0)	(14.3%)
Adjusted profit after tax	24.5	21.4	14.3%
Divided by: Average shares in issue	840.8	834.2	-
Adjusted earnings per share	2.91	2.56	13.8%

Divisional performance - (£m)	FY18/19 H1	FY17/18 H1	%
Grocery			
Branded sales	210.2	214.7	(2.1%)
Non-branded sales	45.8	40.3	13.6%
Total sales	256.0	255.0	0.4%
Divisional contribution	57.0	51.4	10.9%
Sweet Treats			
Branded sales	86.7	80.7	7.4%
Non-branded sales	15.3	17.6	(13.1%)
Total sales	102.0	98.3	3.8%
Divisional contribution	11.3	11.5	(1.7%)

Sales - Q2 (£m)	FY18/19 H1 Q2	FY17/18 H1 Q2	%
Grocery			
Branded sales	109.4	112.4	(2.7%)
Non-branded sales	25.0	21.2	17.8%
Total sales	134.4	133.6	0.6%
Sweet Treats			
Branded sales	42.8	39.9	7.3%
Non-branded sales	7.9	9.7	(19.0%)
Total sales	50.7	49.6	2.1%
Group			
Branded sales	152.2	152.3	0.0%
Non-branded sales	32.9	30.9	6.5%
Total sales	185.1	183.2	1.0%

Statutory earnings per share	FY18/19 H1	FY17/18 H1
Trading profit	51.0	48.0
Amortisation of intangible assets	(17.8)	(18.0)
Foreign exchange fair value movements	0.8	0.9
Net interest on pensions and admin expenses	(0.6)	(1.0)
Restructuring costs	(5.1)	(3.1)
Impairment	-	(4.3)
Operating profit	28.3	22.5
Net finance cost	(30.5)	(23.7)
Loss before tax	(2.2)	(1.2)
Taxation	1.5	1.5
(Loss)/Profit after tax	(0.7)	0.3
Average shares in issue (millions)	840.8	834.2
Basic (Loss)/earnings per share (pence)	(0.1p)	0.0p

Cash flow (£m)	FY18/19 H1	FY17/18 H1
Trading profit	51.0	48.0
Depreciation	8.4	8.1
Other non-cash items	1.1	1.0
Interest	(13.9)	(17.2)
Taxation	-	1.0
Pension contributions	(18.8)	(19.8)
Capital expenditure	(7.0)	(8.6)
Working capital & other	(16.6)	(12.9)
Restructuring costs	(4.6)	(6.9)
Sale of property, plant & equipment	-	1.3
Financing fees	(11.8)	(6.8)
Free cash outflow	(12.2)	(12.8)

FY18/19 guidance	£m
Working capital	Slightly negative
Depreciation	16-18
Capital expenditure	Maximum £22m
Interest - cash	30-34
Interest - P&L	40-43
Tax - cash	Nil
Tax - notional P&L rate	19.0%
Pension deficit contributions	35
Pension administration costs	6-8
Restructuring	£10-12m
Financing fees	£12m

Net debt position	£m
Net debt at 31 March 2018	496.4
Free cash outflow	12.2
Movement in debt issuance costs	0.9
Net debt at 29 September 2018	509.5

Pension valuation (£m)	29 Sept 2018	31 March 2018
RHM Pension schemes		
Assets	4,057.4	4,184.5
Liabilities	(3,341.9)	(3,430.5)
Surplus	715.5	754.0
Premier Foods Pension schemes		
Assets	667.8	679.1
Liabilities	(1,100.6)	(1,116.1)
Deficit	(432.8)	(437.0)
Combined Pension schemes		
Assets	4,725.2	4,863.6
Liabilities	(4,442.5)	(4,546.6)
Surplus	282.7	317.0
Surplus net of tax (17%)	234.6	263.1
Discount rate	2.85%	2.70%
Inflation rate (RPI/CPI)	3.25%/2.15%	3.15%/2.05%
Mortality rate	LTI +1.0%	LTI +1.0%

Outlook summary

- Committed to reducing Net debt by £25m per annum
- Net debt/EBITDA target of below 3.0x expected by March 2020
- Working in parallel to identify other strategic opportunities to accelerate the Company's turnaround
- Any transaction would aim to provide opportunity to accelerate investment in consumer marketing, capex and meaningful Net debt reduction
- Active third party discussions regarding potential disposal of Ambrosia
- Strong innovation plan for H2
- Logistics transformation programme expects to adversely impact Sweet Treats Q3 revenue
- Full year profit expectations unchanged