



17 January 2019

Premier Foods plc (the "Company" or the "Group")

Quarter 3 Trading Statement for 13 weeks ended 29 December 2018

- Q3 Group sales down (2.2%) as previously reported logistics programme impacted Sweet Treats sales
- Q3 Branded sales +0.2% and +0.4% year to date
- Q3 UK Grocery sales excluding International up +2.7%
- Market share gains in major brands
- Continued Mr Kipling growth with sales up +5% in Q3 and +10% year to date
- Lower margin Non-branded Sweet Treats sales down (20.7%)
- Trading profit and adjusted eps expectations for the full year remain unchanged

Gavin Darby, Chief Executive Officer

"Our third quarter of the year saw resilient trading through the key Christmas period in UK Grocery and Branded Sweet Treats with our top 5 brands all growing market share. Our Batchelors brand has now delivered eight consecutive quarters of sales growth and we saw another good performance from Mr Kipling. We faced into two sets of challenges in the quarter – lower International sales and our logistics programme, which as expected, affected cake sales volumes early in the quarter. As we look to the fourth quarter, we expect to see a good performance from Branded Sweet Treats, we have a good innovation plan lined up and our expectations for Trading profit and adjusted eps for the full year are unchanged."

Sales % change	Q3			Q3 Year to date		
	Grocery	Sweet Treats	Group	Grocery	Sweet Treats	Group
Branded	(0.6%)	2.7%	0.2%	(1.5%)	5.7%	0.4%
Non-branded	2.5%	(20.7%)	(10.3%)	9.2%	(18.1%)	(2.6%)
Total	(0.1%)	(6.9%)	(2.2%)	0.2%	(1.1%)	(0.2%)

Trading update

Group sales were £255.6m in the third quarter of the year, £5.8m lower than the same period a year ago, primarily due to decreased sales of lower margin Non-branded Sweet Treats. Branded sales were +0.2% higher in the quarter, while Non-branded sales were (10.3%) lower. In the first three quarters of the financial year, Group sales were marginally lower as Branded sales growth of +0.4% was offset by lower Non-branded sales.

The Group has grown market share³ in aggregate across its categories during the quarter, with its largest three brands, *Mr Kipling*, *Bisto* and *Batchelors* all notably delivering both volume and value share gains in the period.

In the Grocery business, *Batchelors* sales were ahead of the same period last year and have now recorded eight consecutive quarters of growth while *Nissin* Soba noodles grew by over 40% in the quarter. *Ambrosia* returned to revenue growth and grew market share reflecting improved instore execution while *Angel Delight* sales increased 8% as the convenient pots range was expanded to incorporate further new products. *Loyd Grossman* cooking sauces also returned to growth and as we enter the final quarter of the year, a new range of convenient Pasta Pots and sachets in a variety of flavour variants is about to be launched. *Bisto* and *Oxo* both delivered resilient performances through the Christmas period with both benefiting from media advertising.

Mr. Kipling sales continued their strong momentum from previous quarters following the brand relaunch earlier in the year, reporting sales growth of +5% in the quarter and +10% on a year to date basis. *Cadbury* cake sales in the UK were also up in the period due to an improved seasonal range and better instore execution. Looking ahead to the next couple of quarters, the Group will launch a range of 30% less sugar *Mr Kipling* Angel and Chocolate slices, new *Cadbury* Caramel Mini Rolls and a platter of *Cadbury* Crème Egg cupcakes for Easter.

As previously announced, we expected Sweet Treats sales to be lower in the third quarter and accordingly, Non-branded Sweet Treats sales were (20.7%) lower compared to the same period last year. This was due to the business experiencing lower sales volumes as a result of implementation challenges associated with its logistics programme, however customer service levels improved steadily during the quarter. Additionally, the Sweet Treats business exited a number of lower margin seasonal and non-seasonal cake contracts. In the Grocery business, Non-branded sales increased +2.5% as contract wins in Stuffing and Cooking sauces were partly offset by lower sales at Knighton Foods.

International sales⁴ decreased by (27%) in the quarter, as the business continued to work through the effects of high stocks of *Cadbury* cake in the Australian supply chain. Additionally, the Group has implemented price rises to export wholesalers to ensure competitive product pricing across all markets but which resulted in significantly lower volumes in this customer group in the quarter. Excluding these two factors, International sales would have risen 5% in the year to date.

Cash exceptional costs are expected to be £6-7m higher in the full year than previously anticipated due to higher than planned implementation costs associated with the logistics transformation programme as described above.

Management update

As previously announced, Gavin Darby, Chief Executive Officer, will leave the Group on 31st January 2019 and the Board's search process for Gavin's successor is underway. From 1st February 2019, Alastair Murray, Chief Financial Officer, will assume the role of Acting Chief Executive Officer on a temporary basis, in addition to his existing responsibilities, until a permanent successor is appointed.

Potential disposal update

The Group continues to hold discussions with third parties regarding the potential disposal of its *Ambrosia* brand and the Board will provide further updates in due course.

Outlook

The Group's Trading profit and adjusted earnings per share expectations for FY18/19 remain unchanged and Net debt at the year end is expected to be lower than the prior year. The rate of Net debt reduction is likely to be lower than the prior year, as the Company builds raw material and finished goods stock levels to protect against the risk of delays at ports in the absence of certainty over the UK's departure from the EU. The Company's target of reducing Net debt/EBITDA to below 3.0x by March 2020 remains unchanged.

~ Ends ~

For further information, please contact:

Investors and analysts:

Alastair Murray, Chief Financial Officer +44 (0) 1727 815 850
Richard Godden, Director of Investor Relations & Treasury +44 (0) 1727 815 850

Media:

Maitland
Clinton Manning +44 (0) 20 7379 5151
Joanna Davidson +44 (0) 20 7379 5151

Conference call

A conference call for investors and analysts hosted by Gavin Darby, CEO and Alastair Murray, CFO, will take place today, 17 January 2019, at 9.00am, details of which are outlined below. A replay of the conference call will be available on the Company's website later in the day: www.premierfoods.co.uk/investors/results-centre

Telephone number: 0800 376 7922 (UK toll free)
+44 20 7192 8000 (standard international access)
Conference ID: 5697426

Notes to editors:

1. All financial data detailed above is unaudited and has not been subject to review by the Company's auditors.
2. All sales data relates to the 13 weeks to 29 December 2018 or 30 December 2017, the 'quarter' or the 'period', as appropriate. Quarter 3 year to date sales data is for the 39 weeks to 29 December 2018 or 30 December 2017.
3. Market share references are sourced from IRI, 12 weeks ended 29 December 2018.
4. International sales growth is stated on a constant currency basis and is disclosed in the Grocery segment for reporting purposes.

Certain statements in this management statement 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.

A Premier Foods image gallery is available using the following link:

<http://www.premierfoods.co.uk/media/image-gallery>

Quarter 3 and Quarter 3 year to date sales

£m	Quarter 3			Quarter 3 Year to date		
	2018/19	2017/18	Change	2018/19	2017/18	Change
Grocery						
Branded	153.2	154.1	(0.6%)	363.4	368.8	(1.5%)
Non-branded	27.3	26.6	2.5%	73.2	67.0	9.2%
Total	<u>180.5</u>	<u>180.7</u>	<u>(0.1%)</u>	<u>436.6</u>	<u>435.8</u>	<u>0.2%</u>
Sweet Treats						
Branded	48.7	47.4	2.7%	135.4	128.1	5.7%
Non-branded	26.4	33.3	(20.7%)	41.7	50.9	(18.1%)
Total	<u>75.1</u>	<u>80.7</u>	<u>(6.9%)</u>	<u>177.1</u>	<u>179.0</u>	<u>(1.1%)</u>
Group						
Branded	201.9	201.5	0.2%	498.8	496.9	0.4%
Non-branded	53.7	59.9	(10.3%)	114.9	117.9	(2.6%)
Total	<u>255.6</u>	<u>261.4</u>	<u>(2.2%)</u>	<u>613.7</u>	<u>614.8</u>	<u>(0.2%)</u>