



19 January 2021

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

### Quarter 3 Trading Statement for 13 weeks ended 26 December 2020

**Another exceptional quarter of trading, now expecting Trading profit to be in the range of £145-£150m this year after increasing Q4 marketing investment**

- Q3 Group sales up +9.0% and up +12.5% year to date
- Q3 Branded sales up +12.1% and +16.0% year to date
- Continuing to outperform the market, gaining volume and value share<sup>3</sup>
- Online continues to grow strongly, up +90% in Q3
- Five major brands received advertising investment over Christmas period; more to come in Q4
- International sales grew +43%<sup>4</sup>; continuing strong trajectory so far this year
- Further £40m part redemption of Floating Rate Notes due July 2022, saving further £2m p.a. interest costs
- Net debt/EBITDA<sup>5</sup> now expected to be below 2.0x by year end

#### Alex Whitehouse, Chief Executive Officer

*"Quarter 3 proved to be another period of exceptional growth, with Group sales up 9.0% and branded sales up 12.1%, as people turned to our product ranges in the face of heightened restrictions on out of home eating. Our colleagues have carried out a magnificent job supplying this elevated level of demand, keeping the business fully operational while at the same time retaining strict measures to keep each other safe. We continue to deploy our branded growth model strategy, launching a series of new products in the quarter such as Sharwood's low sugar stir fry sauces and supporting five of our major brands with TV advertising. Together with excellent execution both instore and online, we continue to take market share in volume and value terms. Online sales were up 90% in the quarter, ahead of the broader channel and we saw higher household penetration for brands such as Bisto, Oxo and Paxo, as more meals were eaten at home this Christmas."*

*"Looking to the remainder of the year, out of home eating is likely to remain heavily restricted and we therefore expect to see continued high levels of consumer demand for our products. With more brand investment to come, we now expect Trading profit to be in the range of £145-£150m this year and Net debt/EBITDA<sup>5</sup> to fall below 2.0x by the year end."*

Sales % change	Q3			Q3 Year to date		
	Grocery	Sweet Treats	Group	Grocery	Sweet Treats	Group
Branded	14.6%	5.0%	12.1%	20.8%	3.7%	16.0%
Non-branded	2.4%	(7.5%)	(2.7%)	(2.0%)	(7.2%)	(3.9%)
<b>Total</b>	<b>12.7%</b>	<b>0.6%</b>	<b>9.0%</b>	<b>17.1%</b>	<b>1.3%</b>	<b>12.5%</b>

#### Trading update

The Group delivered another exceptional quarter of trading in Q3 with sales growth of 9.0% compared to the prior year, and 12.5% ahead on a year to date basis. Grocery Brands were the significant contributor to this performance, as sales increased 14.6% in the quarter and 20.8% year to date. Sales of Non-branded products were (2.7%) lower in the period. The Group continues to outperform its markets, gaining both volume and value market share<sup>3</sup> across the quarter.

The vast majority of the Group's Grocery brands continued to see substantial growth with more meals eaten at home by consumers, reflecting further pandemic lockdown restrictions in the UK. Sales of *Sharwood's* cooking

sauces grew by 40% in Q3 due to strong commercial plans and new product launches while *Bisto* and *Batchelors* both reported healthy double digit sales growth, supported by increased investment in television advertising. *Ambrosia* also delivered increased sales in the quarter, benefitting from a new TV advertisement campaign.

The Group continued to realise household penetration gains in the quarter, especially in its Grocery categories as consumers looked for variety in their meals prepared at home. Online saw sales growth of +90%, slightly ahead of the market, with notable share gains in Flavourings and Seasonings.

In Sweet Treats, *Mr. Kipling* is on track for another record year, with UK sales up 7% in the quarter, alongside further market share gains. *Mr. Kipling* has continued to benefit from the launch of new product ranges and an extended period of marketing investment. The Group has also just launched *Mr Kipling* 30% less sugar Viennese Whirls. *Cadbury cake* also grew market share<sup>3</sup> and saw sales increase both in the UK and overseas.

Non-branded Grocery sales increased by 2.4% in the quarter as increased demand for own label retailer brand products were partly offset by a decline in sales at Charnwood Foods due to lockdown restrictions. Sweet Treats non-branded sales were (7.5%) lower following the exit of a low margin seasonal contract.

The International business grew strongly in the quarter, up +43%<sup>4</sup>, partly helped by buy in of products ahead of the 31 December EU exit date. Execution of the new strategy has continued at pace, as the Group rolls out its proven branded growth model strategy to other markets. In Ireland, Nissin *Soba* noodle blocks were launched in Q3, while in Q4 both *Mr Kipling* and *Bisto* will be supported by TV advertising investment. In Australia, all the Group's major listed brands, *Sharwood's*, *Mr Kipling* and *Cadbury cake* delivered very healthy sales growth in the quarter. *Sharwood's* also enjoyed growth across a number of other geographies, with sales nearly doubling, and was particularly strong in the US due to vastly improved in market execution, achieving 3,000 new distribution points. In Canada, the in market test on *Mr Kipling* cake has also performed well, with encouraging rate of sale metrics.

In advance of the end of the EU exit transition period, the Group developed a comprehensive set of mitigation plans and preparations to ensure continuity of supply of its products. With a free trade agreement with the EU now in place, the Group is not expecting any material impact from tariff changes. To date, these new arrangements have not resulted in any major disruption to the Group's supply chain.

### **US distribution arrangement**

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The Group's International strategy is to deliver sustainable profitable growth with a major emphasis on in-market execution and ensuring the most optimal route to market for its brands. In line with this strategy, the Group has recently signed an agreement with Weston Foods<sup>6</sup> to sell and market *Mr Kipling* cakes in the US. The first shipments of cake are expected to commence in the first quarter of FY21/22.

### **Floating rate bond part redemption**

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The Group today announces that following strong cash generation in the third quarter, it will be redeeming a further £40m part redemption of its Floating Rate Notes due July 2022<sup>7</sup>. This follows previous part redemptions earlier this year which amounted to £120m. This redemption is due to take place on 16 February 2021, will reduce the amount outstanding on the Notes<sup>7</sup> to £50m and save the Group a further £2m per annum in interest costs. Following this redemption, an aggregate of £160m of the Notes will have been repaid during FY20/21, generating total pro forma interest savings of £8m per annum.

A certificate has been provided to HSBC Corporate Trustee Company (UK) Limited, as Trustee, and HSBC Bank plc, as paying agent, for the Group's Senior Secured Floating Rate Notes due July 2022<sup>7</sup>, notifying of its intention to redeem £40 million of the £90 million outstanding. This is in line with requirements of the Indenture of the Notes<sup>7</sup>. Further to the certificate, the Group hereby confirms that, pursuant to the terms of the Indenture<sup>8</sup>, £40 million of the Notes will be redeemed at par, plus accrued and unpaid interest up to, but excluding, the redemption date<sup>9</sup>. The redemption date is 16 February 2021 and the record date is 15 February 2021.

### **Capital reduction**

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At an EGM held on 11 January 2021, a resolution for a capital reduction was approved by shareholders. Following this approval, confirmation by the Court is required and this is expected to be granted in February 2021. The Board

believes that this capital reduction will provide greater flexibility in how the Company manages its capital resources going forward, such as the ability to pay dividends, should the Board determine it is appropriate to do so. However, it should be noted that the Company has not made any decision as to the use of any such realised profits.

### 53 week financial year

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This year the Group will be presenting its Full year results for the 53 weeks ending 3 April 2021 with the comparative period of the 52 weeks ended 28 March 2020. The Group plans to provide proforma Revenue and Trading profit on a 52 week ending basis in respect of this financial year's results to aid comparison against the prior year.

### Outlook

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In a year when many peoples' lives have been altered by the impacts of the global pandemic, the Board is hugely appreciative of all colleagues who have helped play their part in keeping everyone safe and the nation fed. Following the delivery of another strong period of trading, the Group will continue to increase its investment in brand advertising and has further new product development planned for quarter four. The Group now expects FY20/21 Trading profit to be in the range of £145-£150m and for Net debt/EBITDA<sup>5</sup> to be below 2.0x by the year end.

~ Ends ~

### Further information

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#### Investors and analysts:

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### Conference call

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A conference call for investors and analysts hosted by Alex Whitehouse, CEO and Duncan Leggett, CFO, will take place today, 19 January 2021, 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](http://www.premierfoods.co.uk/investors/results-centre)

Telephone number: 0800 376 7922 (UK toll free)  
+44 20 7192 8000 (standard international access)  
Conference ID: 6798493

#### 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 26 December 2020 or 28 December 2019, the 'quarter' or the 'period', as appropriate. Quarter 3 year to date sales data is for the 39 weeks to 26 December 2020 or 28 December 2019.
3. Market share references are UK based and sourced from IRI, 12 weeks ended 26 December 2020.
4. International sales growth is stated on a constant currency basis and is disclosed in the Grocery segment for reporting purposes.
5. Net debt/EBITDA stated on a pre-IFRS 16 basis.
6. Weston Foods, a subsidiary of George Weston Limited founded in 1882, is a leading North American bakery company employing over 5,000 people in approximately 40 facilities. *Source: westonfoods.ca*
7. The ISIN for the Notes are: 144A: XS1619820597 and Reg S: XS1619820324.
8. Section 3.07 (c) (*Optional redemption*) of the Indenture relating to the Notes.
9. Accrued unpaid interest amounts are calculated as 5.0% plus 3 month LIBOR for the period to the redemption date. There are no Additional Amounts (as defined in the Indenture) payable.

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		
	2020/21	2019/20	Change	2020/21	2019/20	Change
<b>Grocery</b>						
Branded	176.5	154.0	14.6%	449.6	372.1	20.8%
Non-branded	27.7	27.1	2.4%	71.4	72.9	(2.0%)
<b>Total</b>	<u>204.2</u>	<u>181.1</u>	<u>12.7%</u>	<u>521.0</u>	<u>445.0</u>	<u>17.1%</u>
<b>Sweet Treats</b>						
Branded	55.0	52.4	5.0%	149.2	143.9	3.7%
Non-branded	26.6	28.7	(7.5%)	37.1	40.0	(7.2%)
<b>Total</b>	<u>81.6</u>	<u>81.1</u>	<u>0.6%</u>	<u>186.3</u>	<u>183.9</u>	<u>1.3%</u>
<b>Group</b>						
Branded	231.5	206.4	12.1%	598.8	516.0	16.0%
Non-branded	54.3	55.8	(2.7%)	108.5	112.9	(3.9%)
<b>Total</b>	<u>285.8</u>	<u>262.2</u>	<u>9.0%</u>	<u>707.3</u>	<u>628.9</u>	<u>12.5%</u>