

# Premier Foods FY20/21 Half year results - Factsheet



"Exceptionally strong results delivering accelerated deleveraging; raising full year Trading profit outlook"

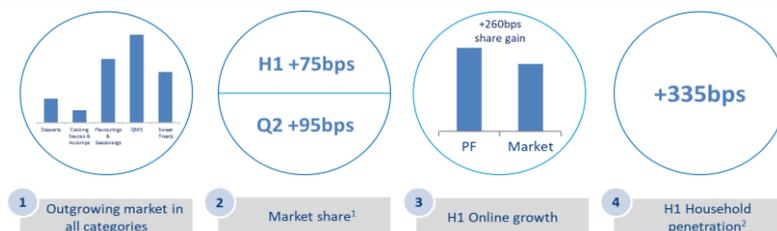
## FINANCIAL HEADLINES



- Adjusted profit before tax up +50.2% to £47.7m; adjusted earnings per share up +49.6% to 4.5p
- Statutory profit before tax increased £35.5m to £50.5m; profit after tax up £31.1m to £43.4m
- Net debt reduced by £87.9m on pre-IFRS 16 basis to £382.8m; Net debt on post-IFRS basis £403.1m
- Net debt/EBITDA reduced to 2.3x compared to 2.7x six months earlier
- Combined pensions surplus of £516.5m reduced from £1,230.4m at 28 March 2020 due to discount rate decrease

1 – On pre IFRS 16 basis, compared to prior year H1

## OPERATIONAL HEADLINES



1 – IRI, 26 September 2020; 2 – Kantar Worldpanel, PF Grocery categories, H1 vs prior year

## DETAILED KEY FINANCIALS

Group performance - (£m)	FY20/21 H1	FY19/20 H1	%
Branded sales	367.3	309.7	18.6%
Non-branded sales	54.2	57.0	(4.9%)
<b>Total sales</b>	<b>421.5</b>	<b>366.7</b>	<b>15.0%</b>
Divisional contribution	87.6	69.7	25.6%
Group & corporate costs	(21.8)	(18.6)	(17.2%)
<b>Trading profit</b>	<b>65.8</b>	<b>51.1</b>	<b>28.7%</b>
EBITDA	74.9	60.5	23.8%

Divisional performance - (£m)	FY20/21 H1	FY19/20 H1	%
<b>Grocery</b>			
Branded sales	273.1	218.2	25.2%
Non-branded sales	43.6	45.8	(4.7%)
<b>Total sales</b>	<b>316.7</b>	<b>264.0</b>	<b>20.0%</b>
Divisional contribution	78.5	59.3	32.2%
<b>Sweet Treats</b>			
Branded sales	94.2	91.5	3.0%
Non-branded sales	10.6	11.2	(5.8%)
<b>Total sales</b>	<b>104.8</b>	<b>102.7</b>	<b>2.0%</b>
Divisional contribution	9.1	10.4	(12.5%)

Statutory earnings per share	FY20/21 H1	FY19/20 H1
<b>Trading profit</b>	<b>65.8</b>	<b>51.1</b>
Amortisation of intangible assets	(13.5)	(14.9)
Foreign exchange fair value movements	(0.3)	1.3
Reversal of impairment loss of Loan receivable	15.7	-
Net interest on pensions and admin expenses	0.1	(0.1)
Restructuring costs	(2.6)	(1.5)
<b>Operating profit</b>	<b>65.2</b>	<b>35.9</b>
Net finance cost	(14.7)	(20.9)
<b>Profit before tax</b>	<b>50.5</b>	<b>15.0</b>
Taxation	(7.1)	(2.7)
<b>Profit after tax</b>	<b>43.4</b>	<b>12.3</b>
Average shares in issue (millions)	849.6	846.1
Basic earnings per share (pence)	5.1p	1.5p

FY20/21 guidance	£m
Working capital	Slightly negative
Depreciation	c.£20m
Capital expenditure	c.£25m
Interest - cash	£32-34m
Interest - P&L	£35-37m
Tax - cash	Nil
Tax - notional P&L rate	19.0%
Pension deficit contributions	£38m
Pension administration costs	£4-6m
Restructuring	c.£5m

### Summary

- H1 accelerated volumes due to increase in consumer eating at home occasions
- Continuing to drive underlying branded growth model strategy
- Growing faster than the market, including in online channel
- Household penetration gains being sustained
- Very strong Trading profit, adjusted PBT and adjusted earnings progress
- Net debt/EBITDA of 2.3x, lowest ever leverage
- Hovis disposal proceeds £37m
- Redemptions of £120m of Floating rate notes announced year to date, reducing annual interest cost by c.£6m
- Credit ratings upgrades from S&P and Moody's

### Outlook

- Continued focus on branded growth model with:
  - Further insightful product innovation and
  - Increased emotionally engaging advertising investment; 6 brands on TV in H2
- H2 revenue growth:
  - Underlying branded growth model
  - Impact of recent increased restrictions on eating out
  - Tougher comparative in latter part of Q4
- Trading profit for full year now anticipated to be ahead of market expectations
- A new Net debt/EBITDA target of approximately 1.5x in medium term
- Reflects accelerating leverage progress and Hovis disposal proceeds

Adjusted Earnings per share	FY20/21 H1	FY19/20 H1	%
<b>Trading profit</b>	<b>65.8</b>	<b>51.1</b>	<b>28.7%</b>
Less: net regular interest	(18.1)	(19.4)	6.6%
<b>Adjusted Profit before tax</b>	<b>47.7</b>	<b>31.7</b>	<b>50.2%</b>
Less: notional tax @ 19.0%	(9.1)	(6.0)	(50.2%)
<b>Adjusted profit after tax</b>	<b>38.6</b>	<b>25.7</b>	<b>50.2%</b>
Divided by: Average shares in issue	849.6	846.1	0.4%
<b>Adjusted earnings per share</b>	<b>4.5</b>	<b>3.0</b>	<b>49.6%</b>

Sales - Q2 (£m)	FY20/21 Q2	FY19/20 Q2	%
<b>Grocery</b>			
Branded sales	131.4	116.2	13.0%
Non-branded sales	23.3	24.5	(5.0%)
<b>Total sales</b>	<b>154.7</b>	<b>140.7</b>	<b>9.9%</b>
<b>Sweet Treats</b>			
Branded sales	47.0	44.6	5.5%
Non-branded sales	5.7	6.5	(12.2%)
<b>Total sales</b>	<b>52.7</b>	<b>51.1</b>	<b>3.2%</b>
<b>Group</b>			
Branded sales	178.4	160.8	11.0%
Non-branded sales	29.0	31.0	(6.4%)
<b>Total sales</b>	<b>207.4</b>	<b>191.8</b>	<b>8.1%</b>

Cash flow (£m)	FY20/21 H1	FY19/20 H1
<b>Trading profit</b>	<b>65.8</b>	<b>51.1</b>
Depreciation	9.1	9.4
Other non-cash items	1.4	1.2
Interest	(17.5)	(17.6)
Pension contributions	(26.3)	(24.2)
Capital expenditure	(7.1)	(8.1)
Working capital & other	4.5	(8.3)
Restructuring costs	(3.2)	(3.3)
Proceeds from share issue	0.8	0.6
Sale of property, plant & equipment & other	0.0	0.1
<b>Free cash inflow</b>	<b>27.5</b>	<b>0.9</b>

Net debt position (£m)	Pre-IFRS 16	Post-IFRS 16
<b>Net debt at 28 March 2020</b>	<b>408.1</b>	<b>429.6</b>
Free cash inflow	(27.5)	(27.5)
Movement in debt issuance costs	2.2	2.2
Movement in lease creditor	-	(1.2)
<b>Net debt at 26 September 2020</b>	<b>382.8</b>	<b>403.1</b>
Adjusted EBITDA (12 months rolling)	164.5	166.9
Net debt/EBITDA	2.3x	2.4x

Pension valuation (£m)	26 Sept 2020	28 March 2020
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RHM Pension schemes		
Assets	4,637.3	4,745.3
Liabilities	(3,715.8)	(3,240.0)
<b>Surplus</b>	<b>921.5</b>	<b>1,505.3</b>

Premier Foods Pension schemes		
Assets	839.4	774.7
Liabilities	(1,244.4)	(1,049.6)
<b>Deficit</b>	<b>(405.0)</b>	<b>(274.9)</b>

Combined Pension schemes		
Assets	5,476.7	5,520.0
Liabilities	(4,960.2)	(4,289.6)
<b>Surplus</b>	<b>516.5</b>	<b>1,230.4</b>

Surplus net of tax (19%)		
Discount rate	1.55%	2.50%
Inflation rate (RPI/CPI)	2.85%/1.85%	2.65%/1.65%
Mortality rate	LTI +1.0%	LTI +1.0%