



24 April 2014

Premier Foods plc (the "Company")

## Interim Management Statement for the three months ended 31 March 2014

### Transformational capital restructuring completed and full year expectations unchanged

Premier Foods today reports the Company's Interim Management Statement for the three months ended 31 March 2014.

- Transformational capital restructuring completed in the quarter
- Hovis Limited joint venture to complete shortly
- Power Brands sales decreased 3.5% as expected and Grocery sales decreased 6.2%
- Full year expectations unchanged
- Branded sales mix increased to nearly 90%
- Business de-complexity, costs and efficiency programme on track

Gavin Darby, Chief Executive Officer of Premier Foods said:

*"As expected, we had a softer first quarter due to the subdued grocery retail environment, a later Easter and the impact of milder weather. Having announced the Hovis joint venture and a major and transformational new capital structure during the quarter, we can now focus all our energies on delivering our category growth strategy.*

*"Our expectations for the Full Year are unchanged. While trading conditions are expected to remain challenging for the remainder of the year, we have a strong programme of new product launches and consumer marketing planned for the second half of the year building on our enhanced customer partnerships with retailers and supported by continuing initiatives to reduce costs, complexity and improve efficiency."*

#### Grocery Quarter 1 Sales

£m	2014 Q1	2013 Q1	Change
Power Brands	123.7	128.2	(3.5%)
Support brands	42.8	47.8	(10.4%)
<b>Total branded</b>	<b>166.5</b>	<b>176.0</b>	<b>(5.4%)</b>
Non-branded	19.8	22.7	(12.9%)
<b>Total sales<sup>1</sup></b>	<b>186.3</b>	<b>198.7</b>	<b>(6.2%)</b>

## **Grocery**

Grocery Power Brands sales declined by 3.5% in the first quarter of the year, in line with the Company's expectations. This decline reflects the timing of Easter, milder weather compared to the same period last year and a subdued grocery retail environment. Total Grocery sales were down 6.2% in the period, due to the Power Brand performance and also lower support brands and non-branded sales. The Company's branded mix of sales increased from 88.6% to 89.4% in the quarter. Grocery gross margins were up in the quarter compared to the prior year.

Sales of *Loyd Grossman* sauces grew during the quarter, supported by the new Lasagne sauce pouches product while *Sharwood's* sales were down reflecting a particularly competitive cooking sauces and accompaniments category. In Ambient Desserts, our strategy to develop the higher value-added pot segment of the market saw the launch of the new *Ambrosia* 'Mini-pots' range and larger 'Devon Dream' pots at the end of the period helping drive new usage occasions. *Mr. Kipling* increased its leading market share position in the quarter with further brand activity planned for the rest of the year. The Company's major investment in the new *Mr. Kipling* Snackpack line at its factory in Barnsley is also developing well, with production expected to commence in early 2015.

A strong programme of additional new product launches are planned for the second half of the year in line with the Company's strategy of driving category growth through marketing and innovation. Consequently, consumer marketing is expected to build during the year and be higher in the second half, aligned to the phasing of new product launches. For example, *Batchelors* Deli-Box is being advertised on TV for the first time during the second quarter with the new 'Awesome Mums' campaign to be followed by other Power Brand advertising later in the quarter and the second half of the year.

Support brands sales declined by 10.4% which was principally due to lower *Cadbury* cake sales as a result of Easter falling in the Company's second quarter this year. Plans are in place to help reverse this decline during the remainder of the year focusing on new *Cadbury* product launches and support for *Homepride* cooking sauces following the recent re-launch with refreshed and more contemporary flavours and packaging.

Non-branded sales were down 12.9% due to the impact of contract withdrawals in lower margin Desserts and powdered beverage contracts, and as a result of the disciplined approach taken in this area. This downward trend is expected to be less marked in the second quarter, reflecting the anniversary of the commencement of these contract withdrawals.

## **Business de-complexity, costs and efficiency**

The focus on reducing business complexity continues to deliver good results. The number of suppliers has now reduced by over 38% since the beginning of 2013 to 2,040 which supports our cost efficiency targets. Consequently, we are well on track to meet the supplier numbers target of 1,660 by the end of 2014. The product code reduction programme is also progressing well and in line with plan; we expect to have taken out 700 product codes by the end of 2014, representing a 41% reduction since the start of this programme.

While total capex guidance remains unchanged, the Company is also looking more closely at a number of capital projects across its portfolio which will deliver improved efficiencies and so deliver strong paybacks. While the input cost inflation environment is relatively benign, the Company continues to improve efficiencies with its strong track record in reducing manufacturing controllable costs. Additionally, further innovative opportunities are currently being reviewed to maximise value and efficiencies from the Grocery infrastructure.

The Company has delivered significant SG&A cost savings over the last two years, and will continue to identify ways to further reduce cost in this area, for instance through recent arrangements in facilities management services and human resources providers such as recruitment and training.

## Bread

On 28 January 2014, the Company announced a joint venture for its Hovis baking and milling business ("Hovis Limited"), with The Gores Group which received shareholder approval on 20 March 2014. The Company will retain a 49% holding of Hovis Holdings Limited on completion of the transaction which is expected to take place on 26 April 2014. The Bread joint venture will be treated as a discontinued operation in the Company's financial statements until the transaction's completion and as an associate thereafter.

## Financial Position

On 14 April 2014, the Company announced the completion of a transformational capital restructuring. This included a landmark new pensions framework agreement, a £353m equity issue, £500m high yield bond and a new £272m revolving credit facility. The equity issuance completed on 8 April 2014 with net proceeds received of £344m and the old term loan and revolving credit facilities have been cancelled. The high yield bond includes two components; £325m senior secured notes with a fixed coupon of 6.50% and £175m senior secured floating rate notes attracting 5.00% above LIBOR. The agreement with the Pension Schemes includes a reduction in pension deficit cash contributions of £156m over the next three years compared to the previous funding schedule.

The Company will continue to focus on cash generation and our expectation for recurring cash flow in 2014 is unchanged as is the medium-term leverage target of 2.5x Net debt/EBITDA.

## Outlook

The Company's expectations for the Full Year remain unchanged. While trading conditions are expected to remain challenging, we have a strong programme of new product launches and consumer marketing planned for the second half of the year building on our enhanced customer partnerships with retailers and supported by continuing initiatives to reduce costs, complexity and improve efficiency.

~ Ends ~

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## Conference Call

A conference call for investors and analysts will take place on 24 April 2014 at 9.30am, 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/investor-relations/results-centre/](http://www.premierfoods.co.uk/investor-relations/results-centre/)

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**Notes to editors:**

1. All sales data for Premier Foods is for the three months to 31 March 2014 or 31 March 2013 as appropriate.

Certain statements in this Interim 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:

[www.premierfoods.co.uk/news-&-media/image-gallery/](http://www.premierfoods.co.uk/news-&-media/image-gallery/)