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12 May 2014

PREMIER FOODS (PFD): 59.75p
Time for a serious re-appraisal

Post rights issue indigestion & fact that no tangible signs of recovery can be expected until H2 present buying opportunity…

Yr to end-Dec/Mar*	PBT#^ (£m)	EPS^ (p)	PER (x)	DPS (p)	Yield (%)
2013 (A)	80.5	33.5	4.8	0.0	0.0
2014 (E)	96.4	9.4	6.4	0.0	0.0
2016 (E)	102.0	10.3	5.8	0.2	0.3

Source: *Co & Broker Ests, #pro-forma figs, *y/end to change to March post 2015 & 2014 means this is a pro-forma figure, ^numbers post a tax charge but pre-pension payment, (1) 240m shares in issue pre-rights, (2) 824m shares in issue post Rights, post placing*

The Case for a Re-rating:

- Premier Foods was caught flat-footed by the recession. It spent 7yrs in the dog house but the refinancing undertaken in March and April provides the group a stable balance sheet and starting position from which it can grow and once again concentrate on its businesses.

- Debt is now at normalised levels, the pension deficit will decline when rates rise, margins are improving, marketing spend is on the up, new products will be introduced from Q2 onwards, the late Easter benefits Q2 and comps over the coming months are manageable.

- True, dividends are restricted (though not prohibited) and the supermarkets are cutting prices but the former is not unsurmountable and SBRY and TSCO suggest that the supermarket pricing issue is largely confined to MRW (and perhaps ASDA & the discounters).

- The directors and major shareholders have bought material quantities of shares at 80p plus and financial actions often speak louder than words. The Rights was very heavy and some holders have trimmed holdings. Non-economic sellers are providing buyers with an opportunity to profit.

- ***We believe that Premier Foods is in a position to prosper. Low hanging fruit should be plentiful after 7yrs of nothing but fire-fighting and a PER of 6x seems extremely uncharitable. We will not adopt 'Analysis 1.0' and suggest a target price c25% above these levels but rather say that we believe that PFD's shares should and will double over the next 12 to 18 months.***

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Market Cap: £492m
12m range 53p 185p

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Premier Foods – Time for a Serious Re-Think?

Premier Foods was caught flat-footed by the recession.

It had too much debt and was punished for the allegedly ill-timed, perhaps reckless and certainly top of the market £1.27bn (£2bn including debt) purchase of RHM, which was announced in Dec 2006 and completed in Mar 2007.

The acquisition saw PFD issue shares but more importantly take on £290m of new debt and takeover the £770m of debt outstanding at RHM.

In addition, the enlarged company inherited the hospital pass that was Hovis as well as the target company's soon-to-be-toxic-and-underfunded pension liability.

These almost comically awful factors, exacerbated by the credit crunch and the subsequent recession, proved near fatal for Premier Foods and have defined the company ever since.

Or at least they did define the company until Q1 this year because, after being considered un-investible by many would-be purchasers for many years, the March / April 2014 restructuring has put PFD on a much more stable footing.

The transformation ensures PFD's financial past is no longer a good guide to its future worth and it leaves the market considering just how to value PFD going forward.

Here we will:

1. ***Outline very briefly the terms of the restructuring.***
2. ***Consider what the restructuring implies.***
3. ***Look briefly at other factors (the soft stuff).***
4. ***Consider trading and the outlook for same.***
5. ***Try to be realistic & examine the downside***
6. ***At this point we will attempt a valuation***

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1 - The March / April Restructuring:

In the space of little more than eight weeks, Premier Foods has shed its most troublesome and time-consuming business and has transformed its financial profile.

We would suggest that this has radically altered the way in which the market should and will view the shares and outline below the main financial developments to date in 2014.

- 1 - Equity:
  - Premier Foods placed £100m worth of stock at 130p per share (pre-rights)
- 2 - Equity:
  - The group executed a very heavy, dilutive and indigestion-inducing 8 for 5 Rights Issue at 50p per share.
- 3 - Bonds:
  - The group was to issue £475m of new bonds. Demand exceeded expectations and £500m was issued – terms were RNSd on 7 March.
- 4 - Debt:
  - PFD announced a new £300m credit facility, maturing in 2019. Post the bond oversubscription, this was reduced to approximately £272m
- 5 - Pension:
  - The group, which has a £604m deficit (£3.8bn of liabilities and £3.2bn of assets) has announced that it will make payments some £156m cumulatively lower than previously announced over the next three years. See comment below:
- 6 – Other considerations:
  - Earlier (27 Jan), the group announced that it was to JV Hovis and retain only 49% of the vehicle. This JV completed on 28 April
  - Summary: 1 through 4 above were anticipated, 5 is new news and the Hovis JV is very helpful in freeing up management time etc. In total, the package of deals represents a pretty remarkable achievement

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2 - What the Restructuring Implies:

Shift from survival to product management

- The group has been concentrating on survival for six year. It can now concentrate on building its business.

- It commented at its Q1 trading update on 24 April that it 'our expectation for recurring cash flow in 2014 is unchanged as is the medium-term leverage target of 2.5x Net debt/EBITDA.'

Pension not the major issue that it appears?

- The pension deficit is an issue but the 'super-payments' have been kicked into the long grass. Additionally, the group commented on the announcement of its Rights that each 1% increase in interest rates reduces its deficit by £250m. The CBI reported on 12 May that its members expect rates to commence rising in Q1 2015.

- A 2.5% rise in rates would therefore move pension into surplus. A review is not now scheduled until 2020 and planned payments are outlined in Appendix 1.

- In addition, the £604m deficit quoted is before deferred tax of £140m, which reduces the net deficit to £464m

Focus on products:

- Also at its Q1 IMS the group commented that 'a strong programme of additional new product launches are planned for the second half of the year'.

- It went on to say 'consumer marketing is expected to build during the year and be higher in the second half…for example, Batchelor's Deli-Box is being advertised on TV for the first time during the second quarter'

- PF is now focused on ambient branded groceries, which comprise some 85% plus of sales going forward; 'Power Brands' comprise:

    - Ambrosia,
    - Batchelors,
    - Bisto,
    - Hovis (see above),
    - Loyd Grossman,
    - Mr Kipling,
    - Oxo
    - Sharwoods

- Other brands include Angel Delight, Atora, Be-Ro, Bird's, Mothers' Pride, Home Pride, Paxo, Saxa, Smash and others

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3 - Other Factors; the Soft Stuff:

Actions vs words; what have the Directors been doing?

- The group's directors took some 531k shares in the placing (at the pre-rights price of 130p – equivalent to an ex-rights 80.8p) at a cost of £691k. See Appendix 2.

- The directors announced in the group's full year results on 4 March & in the associated Right documentation that each would 'take up in full his or her entitlement to subscribe for New Ordinary Shares under the Rights Issue, comprising 1,148,273 Existing Ordinary Shares in aggregate'

- CEO Gavin Darby 'bought' 38,014 shares at 66.75p on 31 March. The company notes 'pursuant to the terms of Mr Darby's service contract, payment of an annual bonus will be made 75% in cash and 25% in the form of shares. This acquisition of shares represents 25% of Mr Darby's net annual bonus in respect of the year ended 31 December 2013.'

- The group announced on 8 April that its directors had taken up their Rights shares and holdings at 24 March, totalling some 0.54% of the group's issued share capital, are shown in Appendix 3.

- On 24 April, Chairman David Beever purchased 161,943 shares at 61.75p.

- On 29 April, PFD RNSd the fact that its directors and senior staff could potentially be awarded 2.3m shares under the CEO Co-investment plan, 3.6m shares under various LTIPs and 1.8m shares under the group's Restricted Stock Plan.

- In fact, on 1 May, CEO Gavin Darby received 751,814 shares under the Co-investment scheme and 'elected to retain all of the Shares.' The group says 'the award is structured as a nil cost option and the closing price of the Company's Shares on 1 May 2014 was 59.50p.'

And the other major shareholders, Warburg Pinkus, Cazenove?

- On 4 March, the group reported that Paulson would subscribe for 7.7m Placing shares and would 'take up its entitlements under the Rights Issue (including in respect of its Placing Shares) in respect of 50,661,434 Rights Issue Shares'. On 8 April, Paulson sold around 4.8m shares (to leave it with 82.4m). This moves the investor from a pre-rights 10.77% to 9.99%.

- Also Cazenove would subscribe for 7.7m Placing shares and 'fully take up its entitlements under the Rights Issue (including in respect of such Placing Shares)'

Premier Foods is now a considerably larger (at least in terms of market value) and less risky company

- As a markedly larger company (market capitalisation of £492m), PFD will be back on the radar for a number of funds

- Its finances are secure, risk (and particularly the risk of fund manager embarrassment) is reduced

Export markets could open up:

- Whilst the strong Pound is doing the group no favours, at present only 5% of sales are made abroad.

- The company's directors have had other things on their minds to date but we would anticipate some work now being done in this area

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Non-economic sellers have depressed the share price:

- The Rights Issue was extremely heavy at 8 for 5. Whilst the rump was not large (3.56% only), some holders (including perhaps Paulson, see above) simply have 'too many' shares

The group's brands must be worth something:

- In the hands of Unilever, Bovril and Marmite are international brands but in the hands of Premier Foods Mr Kipling, Bisto & Batchelors re not; what's all that about?

Could Premier Foods attract the attentions of a corporate (or financial) bidder?

- It's premature to say the least to begin speculating that Premier Foods may attract a bid.
- This is not likely to happen in the short term. There are blocking stakes in the hands of Warburg Pinkus, Cazenove and Paulson.
- However, it is a relatively simple job to do the maths and PFD would be an earnings enhancing acquisition for any industry player. Furthermore, it would be numerically attractive to a financial buyer when compared with the return on cash.
- Financial buyers may come under pressure at some point to commit funds to the market or alternatively give the money back to investors.
- A buyer may hold off until interest rates begin to rise. At this point, PFD's pension liability will fall and the value of the business will become more apparent

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4 - Trading & Medium Term Outlook:

2007 to early-2014 situation distracting, debilitating, overall sub-optimal:

- The group was distracted by Hovis and by balance sheet and pension fund fire-fighting; it believes that it is now free to run the business.
- It says (4 March) that the new financial arrangements will have the effect of 'increasing the financial flexibility and stability of the Group' and of 'improving the credit perception of Premier Foods with suppliers and trading counterparties.'

Q1 trading – Old Co.:

- The group pre-announced on 4 March that Q1 numbers, impacted by milder weather, would be down. It said fairly bluntly, 'the Group expects Grocery Power Brand sales to be slightly negative in Q1 2014 compared to Q1 2013.'
- The later Easter delayed orders. Peripheral brands, such as Cadbury cakes, were impacted by the shift of the holiday to Q2. Nonetheless, when it reported numbers more formally on 24 April, the shares fell.

Q2 trading – Transitional Co.:

- Q2 trading (there is no Q2 IMS, the group next reports H1 numbers on 22 July) will benefit from the later Easter and from normalised weather comps.
- The group reported on 24 April that margins were rising saying 'grocery gross margins were up in the quarter compared to the prior year.'

H2 trading & thereafter – New Co.:

- **Margins on the up:** Rising margins should benefit H2 and beyond. The group is 'targeting gross margin to grow faster than revenues' & it doesn't sound as though this is meant to be a flash in the pan. This is generated by:
    - **E**fficiencies
    - Reduced complexities
    - SKU reductions
    - Rationalising the supplier base
- **New products to the rescue?** The group said on 4 March that 'grocery Power Brand sales are expected to improve in Q2 2014 and into the second half of 2014, reflecting planned new product introductions'
- **Marketing spend to rise:** Increased consumer marketing should drive sales. Several products are back on TV after an enforced absence of several years. There will be 'a double-digit percentage increase in consumer marketing expenditure from 2013 levels' (4 March 2014).
- **Costs under control:** The group says it 'continues to manage costs tightly and remains confident in its expectations for the full year 2014' (4 March).
- **Tax, what's that?** PFD should pay tax at some point but this will not occur for several years. It says 'the Group did not pay any corporation tax in 2013 as a result of utilising a portion of the brought forward losses available to it and does not expect to pay corporation tax in the

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medium-term due to additional brought forward losses'. The group says it 'has recognised a closing deferred tax asset value of £72.7m at 31 December 2013'.

- **Low hanging fruit / super-effective capital spending:** We know from Spirit Group and other companies that, after a period of serious under-investment, low-hanging fruit abounds. Premier said on 24 April '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.' We believe that PFD has plenty of gas left in its tank.

- **Nirvana or Ambrosia?** Longer term, the group is targeting rising margins and Power Brand revenue growth of 2% to 3% per annum and total branded growth of 1% to 2%.

Balance sheet and, dare one say it, dividends?

- **Debt:** The group is 'targeting a progressive deleveraging towards 2.5 times net debt to EBITDA in the medium-term.' (4 March) and it reiterated this aim on 24 April.

- **Dividends:** The group last paid a dividend in 2008. Under the new debt agreements, it may pay a dividend once debt is below 3x EBITDA.

    - It's just words but PFD says 'the Board understands the importance of optimising value for Shareholders' and it will pay dividends 'when it becomes appropriate and permissible to do so.'

    - PFD will have to make pension cash contributions £ for £ above the first £10m (1.2p per share) paid to shareholders

Trading – Quarter on Quarter performances, what to look out for:

- The weather, marketing campaigns, competitor action etc. impact quarterly trading

- Whilst we believe that pro-forma yearly comparatives are most important in determining longer term value, we would take a moment to look at recent quarterly performances

Tab.1. – PFD's quarterly sales:

Period	Power Brands Qtr	Power Brands YtD	Grocery Power Qtr	Grocery Power YtD	Support Brands Qtr	Support Brands YtD	Non Branded Qtr	Non Branded YtD
Q3 2012	2.0	2.0		4.1	-4.1	-3.2	9.7	5.8
FY 2012	2.4	2.1			-2.0	-2.9	42.2	14.9
Q1 2013	3.3	3.3			-1.9	-1.9	-5.0	-5.0
H1 2013	3.1	3.2		4.0	-8.3	-5.1	-20.4	-12.7
Q3 2013	0.4	2.3	2.0	3.3	-9.8	-6.6	-11.4	-12.2
FY 2013	1.1	2.0			+0.2	-4.9	-23.0	-14.9
Q1 2014	-3.5	-3.5			-10.4	-10.4	-12.9	-12.9

Source: Company Reports

- The hot summer (Q3 2013) dented sales as did the mild winter this year (Q1 2014) including the shift of Easter from Q1 to Q2

- Q2 this year will be against slightly easier comps and Q3 will be even more so; marketing spend should also kick in

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5 – Niggles, wrinkles & the potential downside:

Trading – Supermarket price wars:

- Trading may worsen or the group may become embroiled in the current supermarket price war. We would suggest:
    - This is possible but the group is now concentrating on trading in a way that it was not able to do only two months ago.
    - By way of scale, MRW has said that 40% of its cost cuts (£1bn over three years) relates to branded goods.
    - MRW said it did not tell its suppliers that it was cutting costs until after it had done so. This suggests that it had not asked for a contribution – although it may do so.
    - SBRY denies that there is a price war.
    - Several interested parties have suggested that MRW may be allowed to break free from the other three majors, perhaps alongside ASDA, a be left to fight the discounters without TSCO and SBRY becoming involved.
- The weather over the last rolling 12m has been unhelpful. Comps should be easier over the hot summer of 2013. Next Q1, given a normal winter, should also benefit from soft comps.
- Marketing and new products should help rather than hinder current trading.

Cash-flow may deteriorate, a second bail-out may become necessary:

- There are scenarios, of course, under which this could happen – though we consider it to be unlikely.
- The company has said that margins are improving and that sales of power brands should increase by 2% to 3% per annum.
- We know that comps are reasonable for the rest of the year, the group has what it says are attractive capital investments to make and it will invest in marketing and unveil new products in H2
- Overall, therefore, cash-flow, which is of course linked to trading, is more likely to improve than it is to deteriorate
- For the record, Table 2 shows that the group's EBITDA will be 3.4x interest costs this year. Including pension payments, which are not permanent, to interest, gives a cost cover in EBITDA terms of 2.0x
- The company commented as recently as 24 April that it was trading in line with expectations

Debt could become tight, group could threaten covenants & we could be back to Square 1:

- Never say never but this is unlikely to happen – at least in the foreseeable future.
- Appendix 4 shows the covenants associated with the refinancing package. Debt to EBITDA must be below 5.5x - it is currently around 3.15x being pro-forma EBITDA of £163m and debt of around £513m - see Appendix 5.
- The group is expected to be cash positive this year and to remain comfortably within the tightening covenants.

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- Re EBITDA to interest, the covenant is 2.25x and this year should be around £163.4m / £48m or 3.4x.

Pension position may worsen:

- Again, never say never but interest rates are more likely to rise than they are to fall from their current base position of 0.5%.

- This will improve cash-flow on annuities and reduce the pension deficit. The company is on record as saying that each 1% increase in interest rates will reduce its pension deficit by as much as £250m

Changed year end:

- The group has 'decided to change its financial year end from 31 December to 31 March'. The current period will be 15m long and true comparisons y-o-y may be delayed.

- Some may suggest that a lack of comparable numbers could allow the group to fudge performance for some time to come

The dividend may continue to move out to the right:

- There is no certainty that a dividend will be paid.

Directors could quit and move on:

- Whilst we have seen the directors, particularly the CEO and the chairman, make a real, cash commitment to the company via the purchase of shares & the taking of bonuses in the form of stock, there is always the risk that they will become disenchanted and move on.

- As financial actions speak louder than words, we do not believe this to be likely over the medium term.

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6 – Valuation:

Basis for valuation:

- Given the five-pronged refinancing (debt, bond, placing, rights issue & pension), Premier Foods is in a better financial position now than it has been at any time in the last seven years

- Survival is not a given – but it is much, much more likely not that it was before the March / April refinancing. The valuation below hinges amongst other things, upon:
    - Whether or not pension payments should be included or excluded.
        - They are typically not when valuing Whitbread and other companies.
        - Should bond yields rise, the deficit could swing into a pension surplus
    - Whether we should apply a nominal tax charge of 20% or so. This we have done on the basis that, at some point, the company will once again pay tax

- We can construct a pro-forma P&L; the numbers below are for a 12m period – though the company will move its year end from December to March

- **Tab.2. Premier Foods, Pro-forma P&L – These are pro-forma figures:**

	Reported FY13 (£m)	Company Comment	Pro-forma 12m going forward
Power Brand Sales	543.5	Expect to rise 2% to 3%	558
Other Branded Sales	196.2	Will rise 'modestly'	202
	739.7		760
Non Branded Sales	110.1	Will decline	100
	849.8		860
EBITDA	156.2	Add back Depn £19m	163.4
EBITDA margin	18.4%	Will rise per PFD	19.0%
Trading profit	138.9		144.4
Interest	(58.4)	Suggested by PFDs	(48)
PBT before pension	80.5		96.4
Pension payment	0.0	Payment schedule per PF	(35)
PBT	80.5		61.4
Tax (est. 23.25% + 20%)	(18.7)		(12.3)
Profit after tax	61.8		49.1
Shares in issue (m)	240m		824m
EPS – pre pension & tax	33.5p		11.3p
EPS – pre pen., post tax	***25.8p***		***9.4p***
EPS – post pen., post tax	25.8p		6.0p

Source: Company Reports, Langton estimates:

- We would suggest that investors should look at the PAT line pre-pension payment, that is the 9.4p of earnings shown above (PBT of £96.4m, notional tax 20%, shares in issue 824m)

- This is a pro-forma number but illustrates the base level from which the group should be able to build.

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- The mild winter (negative for FY14), hot summer in 2013 (making for easy FY14 Q3 comps), the change in year-end and increased marketing spend & new product initiatives need to be taken into account when micro-analysing performance Q on Q

Attempt at a valuation:

- Moving on to an attempt at valuation, PFD is not a ULVR, with a portfolio of global brands and nor is it a TATE or an ABF with a world-beating position in certain products

- But nor is it necessarily a price-taker in the way that CWK, DCG or DEV are

- It is a branded player with some overseas aspirations and the time and energy now to focus on its business rather than on simply staying alive.

- We include below a selection of food (and in the case of McBride, household goods) company valuations ranked in terms of market capitalisation

- **Tab.3. Selected food company valuations:**

Company	Market Cap (£m)	PER normalized to Dec 2014 (x)
McBride (MCB)	192	14.0
Hilton Food Group (HFG)	379	19.1
Devro (DVO)	397	15.5
Premier Foods (PFD)	492	6.4
Cranswick (CWK)	592	13.8
Dairy Crest (DCG)	641	11.9
Tate & Lyle (TATE)	3,200	13.0
AB Foods (ABF)	23,300	28.1
Unilever (ULVR)	33,900	20.1
Simple average	7,100	15.8
Av. ex-ULVR, ABF, PFD	900	14.6
Ditto ex-HFG	1,000	13.6
Median	592	14.0

Source: Consensus estimates:

Comments on reasonableness:

- Premier Foods has a greater degree of execution risk than its peer group

- However, it also has potentially more upside and a median rating of perhaps 14.0x is not unreasonable, albeit discounted for the above risk

- Knocking two points off the multiple, i.e. 14x down to 12x could provide a basis point for valuation

- This would put it at a discount to all of its peers except Dairy Crest which, as a milk retailer, is in the front line of the current supermarket price war

- In terms of reasonableness, other mid-cap domestic companies such as publicans and beer producers Marston's & Greene King, trade on December 2014-adjusted PERs of 12.4x and 13.7x respectively

- **Tab.4. Premier Foods: Suggested ex rights valuation:**

Suggested PER Rating	Post pension, post tax	Pre Pension, post tax	Pre pension, nil Tax
10x	60p	94p	117p
12x	72p	***113p***	140p
14x	84p	132p	164p

Source: Langton estimates:

- There are a number of points worth making with regard to the above:
  - First, all of the numbers are above the current share-price
  - Second, 12x earnings is not a lot to pay for a branded player with a robust balance sheet and good cash flow that will now, for the first time in many years, be able to focus on its business
  - Third, to suggest that a share should double, is not the normal way of the analyst. The ‘normal’ approach, arguably, would be to pick a share price some 20% to 30% above current levels, say 75p, and then backwards-engineer the argument to come up with that figure.
  - Four, Langton is made of much more potentially stupid and foolhardy stuff that that and, whilst we could be wrong, we’re prepared to suggest that PFD’s shares could and should double in price over a 12 to 18 month period.
  - Five, we could have looked at EBITDA but it’s looking at EBITDA that got some companies in the mess they got in in the first place. EBITDA ignores interest, which is foolish, and does not consider depreciation to be a proper cost. This is unreasonable. For the record, Unilever trades on around 12x EBITDA (FY14) and the UK mid-cap average is around 8x. Various EBITDA multiples and their impact on equity valuation are shown in Table 5 below:

  - **Tab.5. Premier Foods: Valuations based on EV/EBITDA multiples:**

Suggested EV/EBITDA Rating	Implied EV (£m)	Implied Equity Valuation per share (p)
6x	£980m	57p
8x	£1,307m	***96p***
9x	£1,471m	***116p***
10x	£1,634m	136p
12x	£1,961m	176p

Source: Langton estimates:

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Appendices:

Appendix 1 – Pension top-up commitments. Each 1% rise in interest rates diminishes the pension deficit by £250m.

			Contributions under revised funding arrangements		
Year	***Total contributions agreed under 2012 Pensions Agreement***	***Total contributions under revised funding arrangements***	***RHM Pension Scheme (£ millions)***	***Premier Foods Pension Scheme***	***Premier Foods Grocery Products Pension Scheme***
2014	**81.33**	**33.44**	**20.63**	**11.91**	**0.90**
2015	**78.40**	**7.00**	**-**	**6.30**	**0.70**
2016	**77.17**	**40.00**	**-**	**36.00**	**4.00**
2017	**44.79**	**47.50**	**-**	**42.75**	**4.75**
2018	**44.79**	**42.50**	**-**	**38.25**	**4.25**
2019	**44.79**	**40.00**	**12.00**	**25.20**	**2.80**
2020	**44.79**	**50.00**	**20.00**	**27.00**	**3.00**
2021	**44.79**	**50.00**	**20.00**	**27.00**	**3.00**
2022	**11.20**	**50.00**	**20.00**	**27.00**	**3.00**
2023		**60.00***	**24.00***	**32.40***	**3.60***

Appendix 2 – Directors' take-up of Placing Shares at 130p (pre-rights) – source Equity Issues RNS, 4 March 2014

Directors

The following Directors have each confirmed their intention to participate in the Placing and to acquire Placing Shares at the Placing Price, as follows:

Director	***Number of Placing Shares***	***Aggregate value of Placing Shares at the Placing Price***
Alastair Murray	**119,047**	**£154,761**
Gavin Darby	**240,769**	**£313,000**
David Beever	**11,538**	**£14,999**
Jennifer Laing	**5,000**	**£6,500**
Ian Krieger	**20,000**	**£26,000**
Pam Powell	**33,076**	**£42,999**
Charles Miller Smith	**76,923**	**£100,000**
David Wild	**25,000**	**£32,500**

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Appendix 3 – Directors' holdings post rights as at 24 March 2014. Source, PFD RNS, 8 April 2014.

Name of director	Holding as at 4 March 2014	Placing Shares acquired	Total number of rights taken up	Total beneficial holding following the Rights Issue	Total percentage of issued share capital
David Beever	31,900	11,538	69,500	112,938	0.014%
Gavin Darby	750,268	240,769	1,585,658	2,614,709[1]	0.317%
Alastair Murray	-	119,047	190,475	309,522	0.038%
Ian Krieger	20,000	20,000	64,000	104,000	0.013%
Jennifer Laing	16,078	5,000	33,724	54,802	0.007%
Charles Miller Smith	325,027	76,923	643,119	1,045,069[2]	0.127%
Pam Powell	-	33,076	52,921	85,997	0.010%
David Wild	5,000	25,000	48,000	78,000	0.009%

Note 1: Gavin Darby added 38,014 shares on 31 March 2014 from the net proceeds of his 2013 annual bonus.

Note 2: Chairman David Beever purchased an additional 161,943 shares at 61.75p on 24 April.

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Appendix 4 – Key lending covenants. Source, PFD RNS, 4 March 2014.

Lending facilities	**Revolving credit facility (RCF)**		**£300m**	
	RCF maturity		**March 2019**	
	RCF margin		**3.50% + LIBOR**	
	Commitment fee on undrawn facilities		**40% of applicable margin**	
	Securitisation facility & margin		**£120m at 2.75% + cost of commercial paper**	
Covenants	**Net debt / EBITDA**		**EBITDA / Interest**	
	June 2014	**5.50x**	**June 2014**	**2.25x**
	Dec 2014	**5.50x**	**Dec 2014**	**2.25x**
	June 2015	**5.25x**	**June 2015**	**2.45x**
	Dec 2015	**5.00x**	**Dec 2015**	**2.50x**
	June 2016	**4.90x**	**June 2016**	**2.55x**
	Dec 2016	**4.60x**	**Dec 2016**	**2.65x**
	June 2017	**4.30x**	**June 2017**	**2.70x**
	Dec 2017	**4.20x**	**Dec 2017**	**2.75x**
	June 2018	**3.85x**	**June 2018**	**2.80x**
	Dec 2018	**3.65x**	**Dec 2018**	**3.00x**

Appendix 5 – Pro-forma movement in net debt. Source, PFD RNS, 4 March 2014.

	£m
Reported Net debt at 31 December 2012	**950.7**
Movement in cash 2013	**(124.9)**
Other non-cash items	**5.0**
Reported Net debt at 31 December 2013	**830.8**
Equity issue	**(353.0)**
Underwriting, bank, bond and advisory fees	**41.3**
Deferred bank fees	**22.0**
Bread disposal proceeds	**(28.0)**
Adjusted Net debt at 31 December 2013	**513.1**

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