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25 February 2010

Announcements Officer
Company Announcements Office
Australian Stock Exchange Limited
South Tower, Rialto
525 Collins Street
MELBOURNE VIC 3000

Patties Foods Limited (PFL) - Half Year Results Analyst Briefing

Please find attached, the analyst briefing regarding PFL's half year results ended 31 December 2009 to be presented during the coming week.

The information contained in this announcement should be read in conjunction with the announcement on 22 February 2010 of PFL's half year report and PFL's most recent annual financial report.

Yours sincerely

A handwritten signature in black ink, appearing to read "Philip Thomas", written over a light blue horizontal line.

PHILIP THOMAS
Company Secretary

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HALF YEAR RESULT 2010

Analyst Briefing

February 2010

C.E.O.

Greg Bourke

C.F.O.

Michael Knaap

Highlights

- Underlying NPAT of \$8.5m for the half year - up by \$3.2m (26%) on pcp.
- Underlying EBIT of \$13.9m for the half year - up by \$2.9m (26%) on pcp.
- Increased revenue driven by 25.5% increase in Out-Of-Home sales and 9.7% increase in branded In - Home retail sales.
- Increased manufacturing efficiencies and customer service levels as a result of the continuous improvement program at Bairnsdale.
- Debt reduced by \$13.4m from strong operating cash flow in the 12 months to 31 Dec 2009.
- Reduced finance costs from lower debt and lower interest rates.
- Underlying EBIT margins to sales improved from 12.1% to 13.6%.
- 50% increase in fully franked interim dividend to 3.0 cps up from 2.0 cps pcp.
- Return on Equity increased to 12.6% pa up from 10.6% pa pcp.



1H FY10 Financial Performance

- Sales growth of 13.0%
- Underlying EBIT margins to sales improved from 12.2% to 13.6% highlighting
 - Strong Sales Growth
 - Improved Manufacturing Efficiencies
 - Stringent Cost Control
- Gross Margins stable.
- Interest down by \$1m from reduced interest rates and debt levels.
- Significant items include relocation of frozen fruit facility to Bairnsdale and management restructure.

(\$m)	Dec-09	Dec-08	+/-	%
Net Sales Revenue	102.2	90.5	+11.7	+13.0%
Gross margin	40.3	36.2	+4.1	+11.3%
Operating Expenses	23.5	22.3	+1.2	+5.4%
EBITDA (underlying)	16.8	13.9	+2.9	+21.2%
Depreciation & Amort.	3.0	2.9	+0.1	+3.4%
EBIT (underlying)	13.9	11.0	+2.9	+26.1%
Interest	2.1	3.1	-1.0	-32.3%
NPBT (underlying)	11.8	7.9	+3.9	+49.4%
Tax	3.3	2.6	+0.7	+26.9%
NPAT (underlying)	8.5	5.3	+3.2	+62.4%
NPAT (reported)	7.5	4.7	+2.8	+58.6%
EPS (reported)	5.4	3.4	+2.0	+58.8%
EPS (underlying)	6.1	3.8	+2.4	+60.5%
DPS (cents)	3.0	2.0	+1.0	+50.0%
Underlying EBIT/Sales	13.6%	12.2%	+ 1.4%	+11.5%
Return on Equity (p.a.)	12.6%	10.6%	+2.0%	+18.9%



1H FY10 Financial Performance

(\$m)	2H08	1H09	2H09	1H10
Net Sales Revenue	78.8	90.5	88.7	102.2
Costs of Goods Sold	47.5	54.3	56.6	61.9
Gross margin	31.5	36.2	32.1	40.3
Operating Expenses	17.6	22.3	18.9	23.5
EBITDA (underlying)	13.9	13.9	13.2	16.8
EBIT (underlying)	11.5	11.1	9.9	13.9
NPAT (underlying)	7.2	5.2	6.6	8.5
NPAT reported	6.5	4.7	6.6	7.5

- **1H10 vs 2H09**
 - Improved NPAT driven by Sales Growth
 - Increased Gross Margin percentage due to a normalised promotional spend and manufacturing efficiencies, somewhat offset by increased operating expenses.
- **1H10 vs 1H09**
 - Higher sales at comparable margins, controlled operating costs, lower interest and lower effective tax rate contributed to the profit improvement
- Margins rebuilt and stabilising at normalised promotional spend with embedded manufacturing efficiencies provide increased confidence of future financial performance.

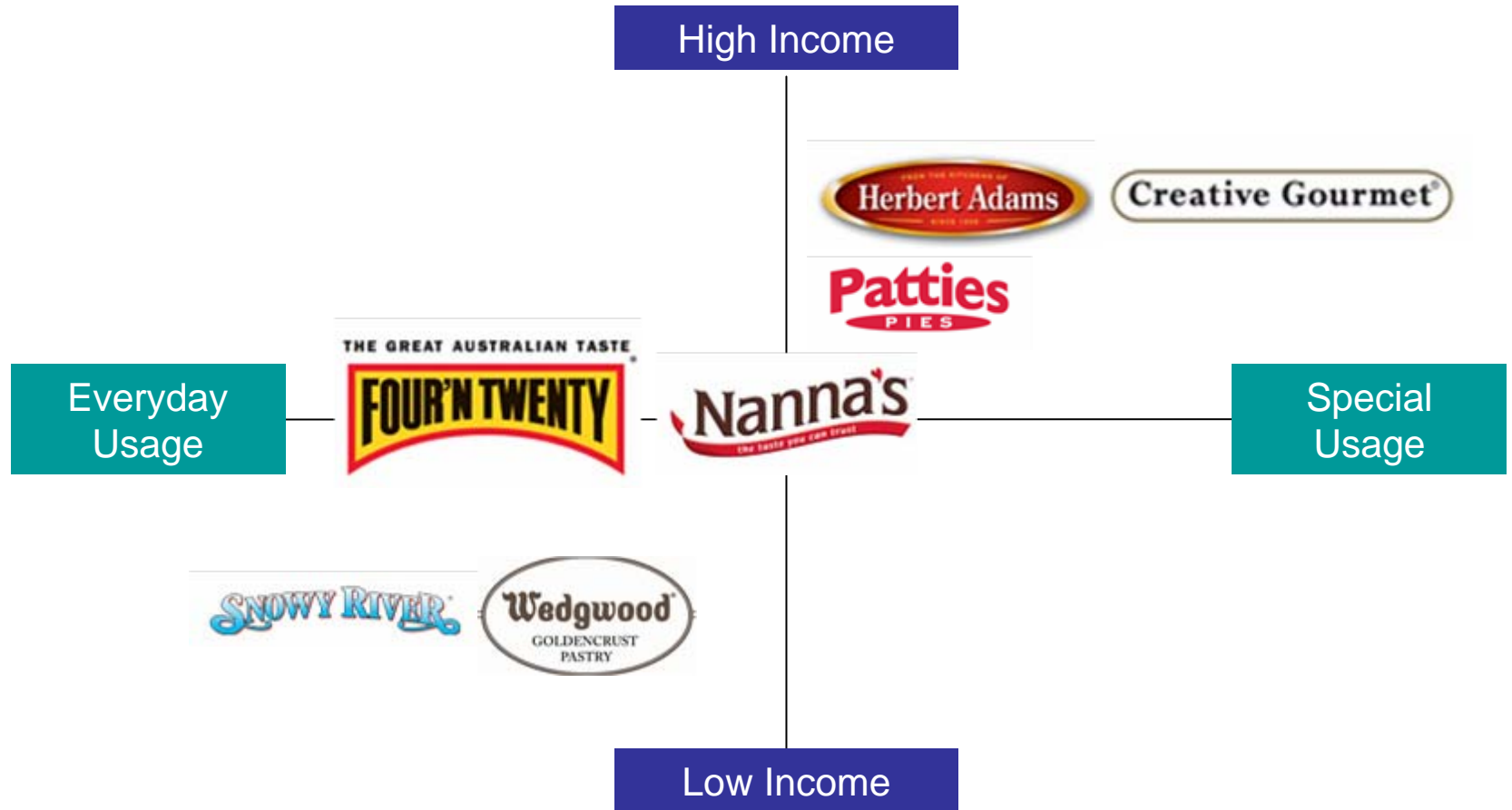


We are well on the way to Building the Base in FY10

	Initiative	Outcome
Operational improvements	Improve production efficiency. Integrate Silverwater (frozen fruit) repacking operation to Bairnsdale.	Reduced labour cost. On Track for 3Q relocation.
Customers	Build on improved In-Home customer relationships to grow category and our share. New customers – same channels.	Good category growth and strong share gains. New customers/products in OOH.
Brand	Build brands for all consumers. Innovative consumer promotions	Nanna's, Herbert Adams & Four n Twenty launches provided incremental high margin growth.
Balance sheet	Minimise maintenance Cap Ex. Identify +20% ROI Cap Ex projects	ROE increased to 12.6%. Debt Equity ratio reduced to 55%.
Working capital management	Continue focus on cash flow to minimise debt levels.	Reduced debt from improved working capital.
People	Build a performance culture. Executive Leadership team structure strengthened	Incentives paid for results. Senior sales executive recruited from Fonterra.
Board, management and governance	The new Board with independent Chairman, working with the leadership team, set the strategic direction and ensure performance to that plan.	Strong focus on strategy by Board and Leadership Team.



Our brands meet demand from most consumers

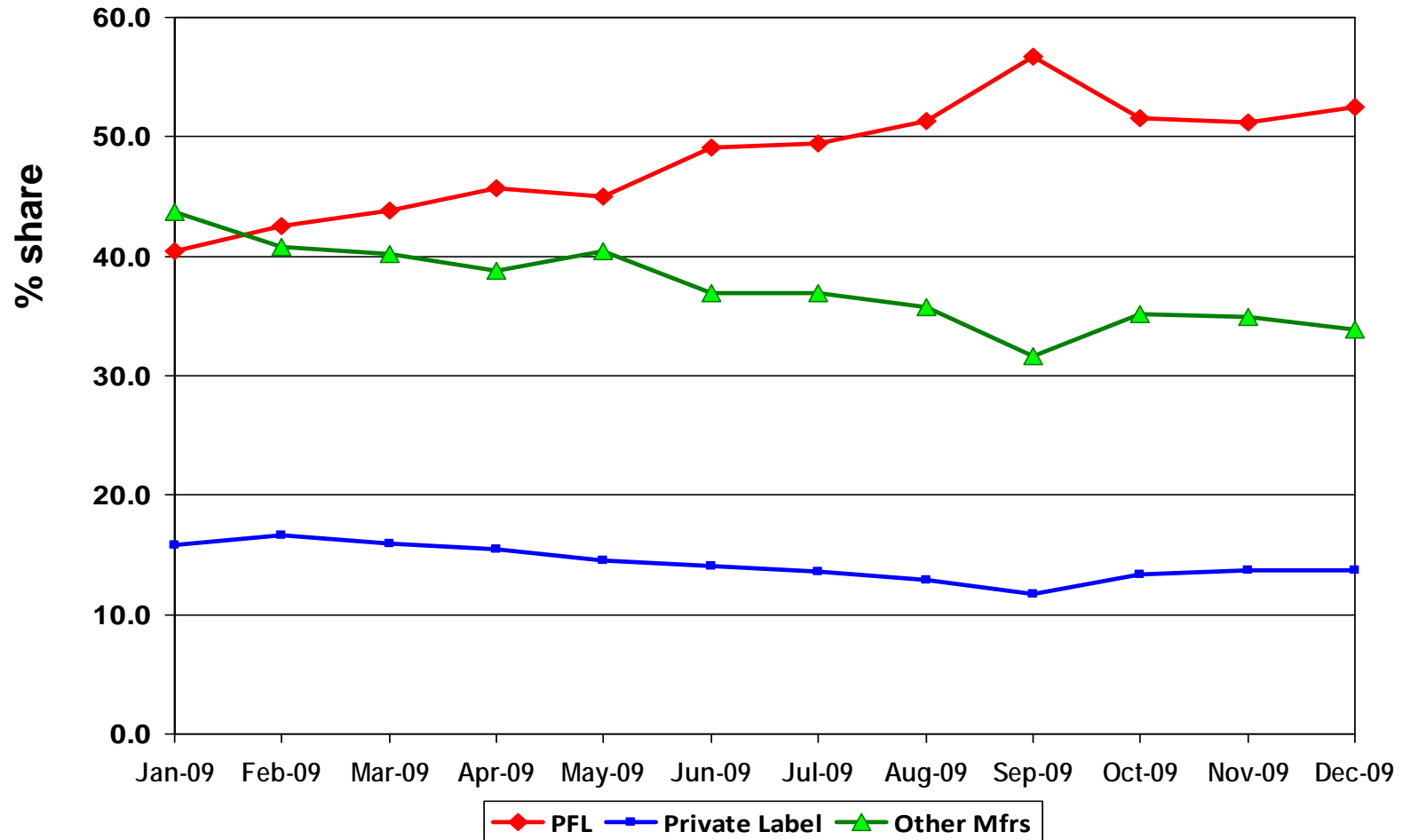


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We have maintained the share gains from FY09 in retail In Home Savoury sales

National Dollars (000's) Share of Total Frozen Savouries



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SOURCE: Monthly Aztec retail scan data

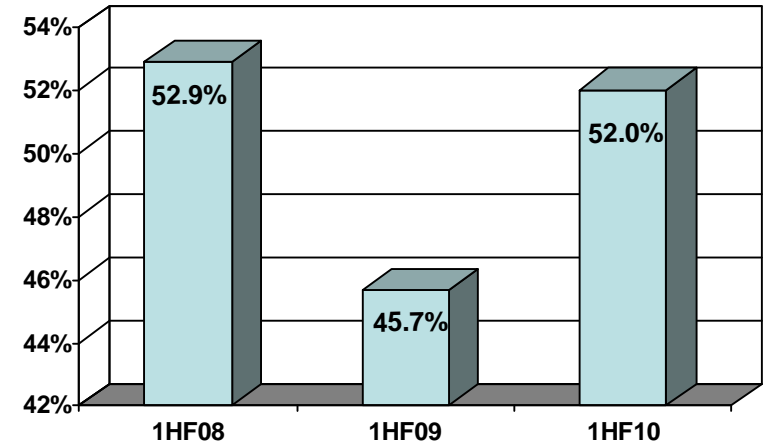
In Home Savoury sales Strong Growth

- Retained market leadership.
- Increased market shares from 1H09.
- Category grew at above average rate
- PFL achieved strongest growth in category
- Sales growth driven by
 - 4n20 Grand Final promotions
 - Launch of expanded Herbert Adams range with T.V. commercial and consumer promotion support
 - Launch of branded large consumer packs
 - Increased shelf space
 - Focused promotional activity

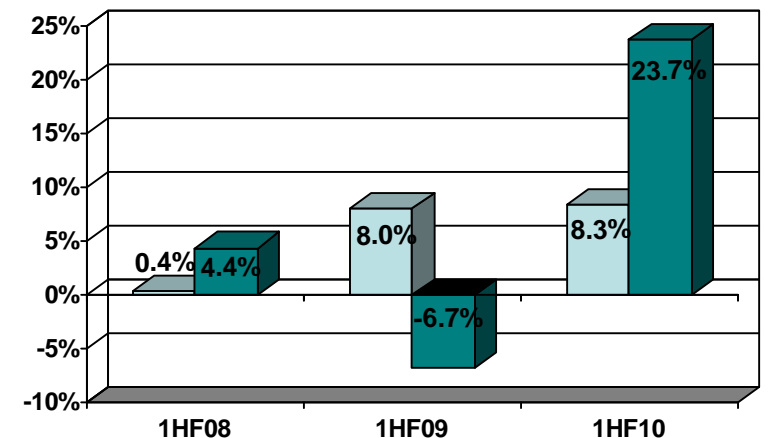


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Market Share - 26 weeks to 31 Dec



Growth from previous corresponding period



SOURCE: Aztec retail scan data

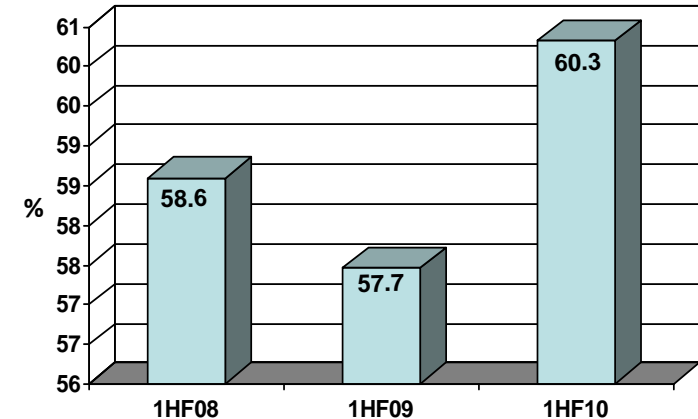
Category Growth PFL Growth

In-Home Fruit Pie Category

PFL achieved double the category growth rate

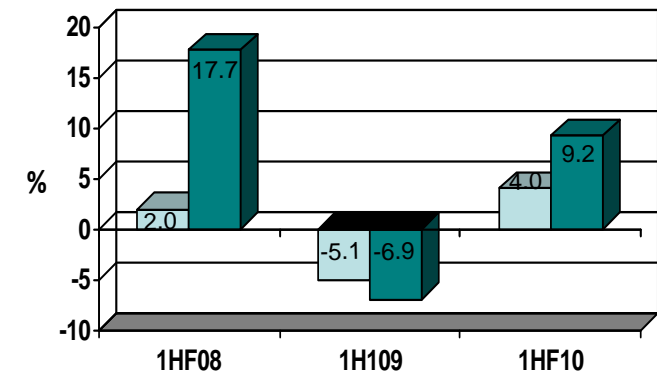
- Maintained FY09 exit run rate in market share.
- PFL initiatives drove category growth.
- Sales growth driven from
 - Launch of new Nanna's mini tarts and Christmas fruit mince tarts
 - Increased promotional activity

Market Share - 26 weeks to Dec 31



Growth

from previous corresponding period



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SOURCE: Aztec retail scan data

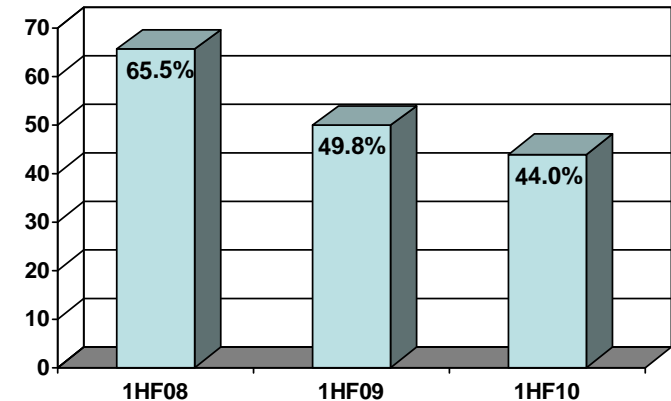
Category Growth PFL Growth

Frozen Fruit Category

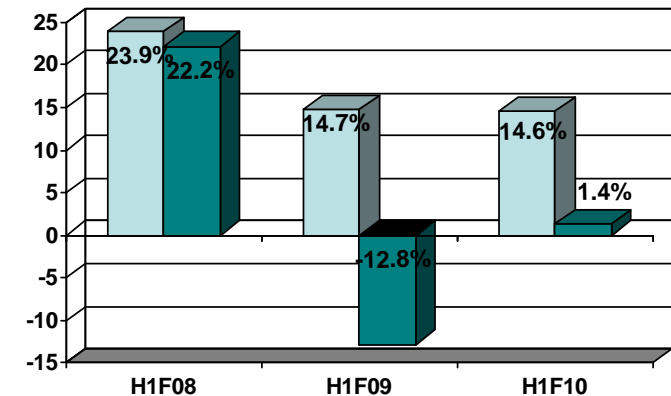
Future opportunity in a growing category

- PFL retained market leadership but declining market share.
- Category continues strong growth.
- Introduced Nanna's branded fruit to broaden product offer.
- PFL's lower cost platform (closure of Silverwater plant) will provide growth opportunity.
- Frozen fruit remains a challenge with heavy competitive activity in all channels.

Market Share - 26 weeks to 31 Dec



Growth from previous corresponding period



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SOURCE: Aztec retail scan data

Category Growth PFL Growth

Out-of-Home sales continue strong growth

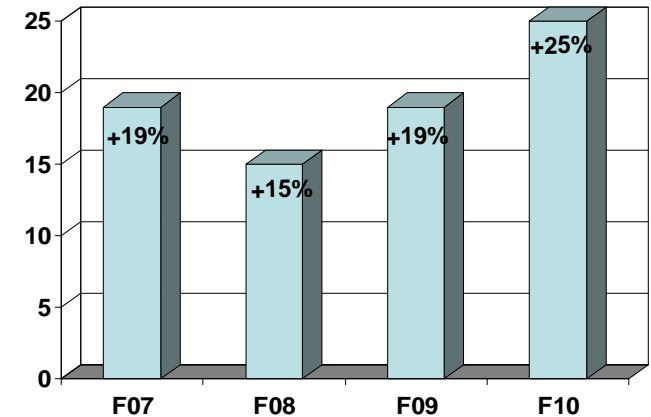
PFL achieved strong growth from new customers and new products across OOH driven by:

- Four'n Twenty achieved good growth from increased ranging and launch of new products in P&C.
- Herbert Adams range extension achieving double digit growth in catering and Petrol & Convenience channel supported by TV campaign.
- Patties entertainment range in foodservice and catering channels achieved good growth.
- New fruit tarts sold into national bakery chain.
- Continuing strong growth from savoury supply contracts to national accounts gained in FY09.
- Traditional route channel is shrinking with more consumers shopping in P&C.

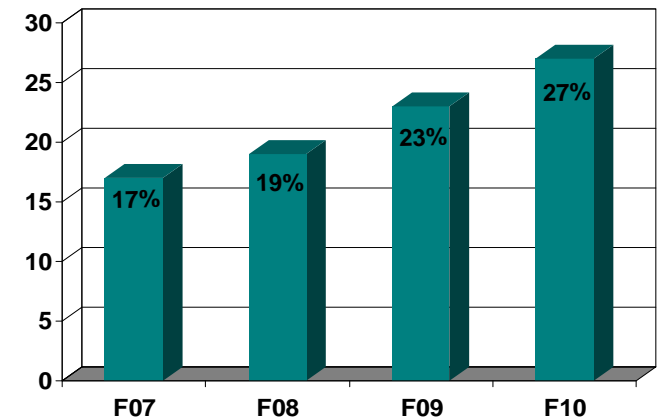


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Revenue Growth



*Market Share



*Management estimate

Building Balance Sheet Strength

- Net Debt to Equity Ratio of 55.0% at 31 December 2009 (72.1% at 31 December 2008)
- Net Debt reduced by \$3.7m to \$63.5m due to improved working capital management and earnings.
- Debt facility with Westpac with the next review date on 30 Sep 2011. Long term interest rate hedge on 50% of total debt.
- Capital expenditure for FY10 will be approx \$9m of which \$3m is maintenance and the remaining is projects generating a planned ROI of +20%.

(\$m)	Dec-09	Jun-09	%
Current Assets	64.0	58.8	+8.8%
Fixed Assets	63.8	62.0	+2.9%
Brands and Goodwill	78.7	78.9	-0.3%
Investments in Joint Ventures	8.3	8.0	+3.8%
Total Assets	214.9	207.7	+3.5%
Current Interest Bearing Securities	2.3	2.3	+0.0%
Other Current Liabilities	26.8	20.3	+32.0%
Non Current Interest Bearing Securities	64.5	68.2	-5.4%
Other non-current liabilities	5.8	5.8	+0.0%
Total Liabilities	99.5	96.6	+3.0%
Net Assets	115.4	111.1	+3.9%
Equity	68.2	68.2	+0.0%
Retained Profits and Reserves	47.2	42.9	+10.0%
Total Equity	115.4	111.1	+3.9%



Strong Operating Cash Flows in 1H FY10

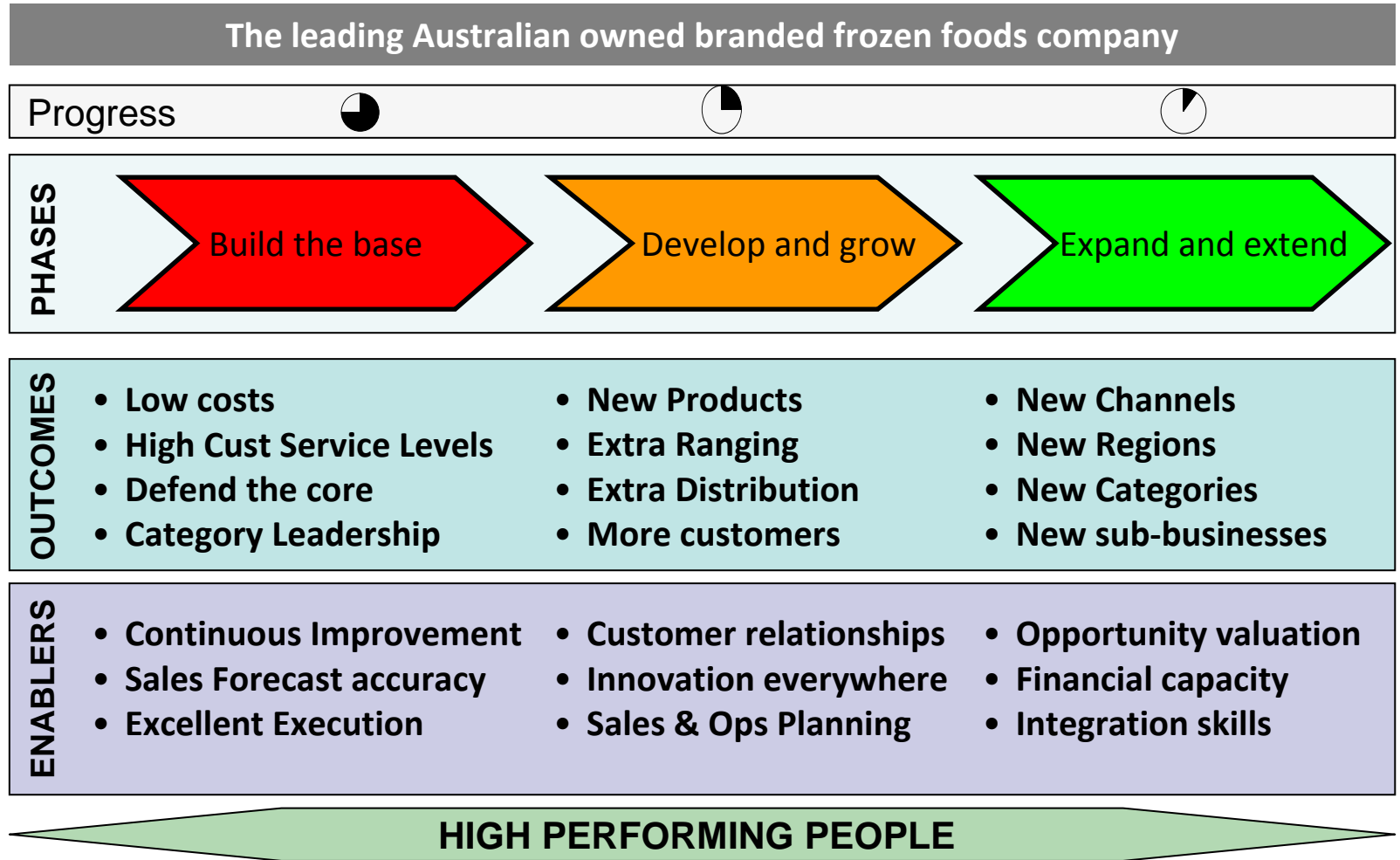
- Cash flow generated from operations was \$14.0m, delivering a \$12.6m improvement on 1H09.
- Sustainable improvement in working capital with a payables increase of \$4.6m in 1H10
- Reduced final dividend payment (Oct 09) supported debt reduction and planned +20% ROI Capital Expenditure.

(\$m)	Dec-09	Dec-08	+/-
Cash flow from operations	14.0	1.4	+12.6
Net cash flow from investing activities	-4.6	-3.4	-1.2
Net borrowings	-3.7	7.6	-11.3
dividends paid	-3.5	-6.2	+2.7
Net Cash flow from financing activities	-7.2	1.4	-8.6
Net cash flow Movement	2.2	-0.6	+2.8
Closing cash balance	3.4	1.5	+1.9



Strategic Framework Update

Good progress on the base, with more work to be done to develop and expand



In 2H we will continue and finalise the initiatives of 1H

	Initiative	Expected Outcome
Operational improvements	Improve production efficiency. Commission new freezer to reduce weekend production. Integrate Silverwater (frozen fruit) repacking operation to Bairnsdale.	Reduced cost of production.
Customers	Build on improved In-Home customer relationships. New customers in Out-Of-Home channels.	Maintain/build profitable volume. Sustainable growth opportunities.
Brand	Build brands across categories. Innovative consumer promotions	New product launches. Growth of high margin volumes.
Balance sheet	Invest in strong ROI Cap Ex projects	Increased ROE
Working capital management	Continue to minimise debt levels.	Improved gearing.
People	Build a performance culture by ensuring focus and accountability on key result areas.	Achieve higher performance.
Board, management and governance	Led by the new independent Chairman, the Board with the leadership team will set and monitor the strategic plan.	Clear strategy for building shareholder value.



Outlook

We have a continued focus on profitable sales growth from:

- continued investment to build brands,
- new product development,
- closer relationships with customers,
- improved channel management through new customers and increased ranging and distribution.

Through our continuous improvement processes we will drive improved operating efficiencies and reduce our operating costs in frozen fruit with the relocation of the packing plant into Bairnsdale.

Subject to no material change in current economic and trading conditions, foreign exchange rates, or commodity pricing, we expect the underlying NPAT for FY2010 to be in the range of \$15.5m - \$17.5m



Thank you

