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## HY2008 Result Analyst Briefing

25 February 2008



## Highlights

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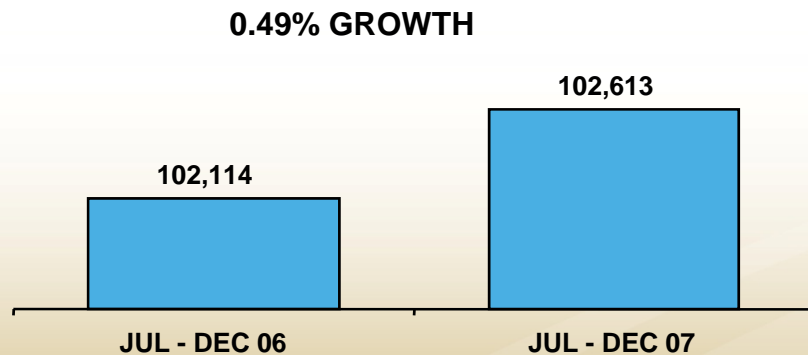
- Revenue growth of 38% compared to the corresponding prior half year
- NPAT growth of 30.1% (growth of 39.0% before significant items)
- Remained the major participant in the retail frozen savoury category with an increased market share of 52.5% MAT at January 2008 (vs prior year of 50.5%)
- Increased market share of Frozen Desserts to 37.0% MAT at January 2008 (vs prior year of 32.8%)
- Continued with double digit growth in Foodservice
- Solid performance from Creative Gourmet and Chefs Pride businesses
- Declared interim dividend of 2.8 cents in line with prior year



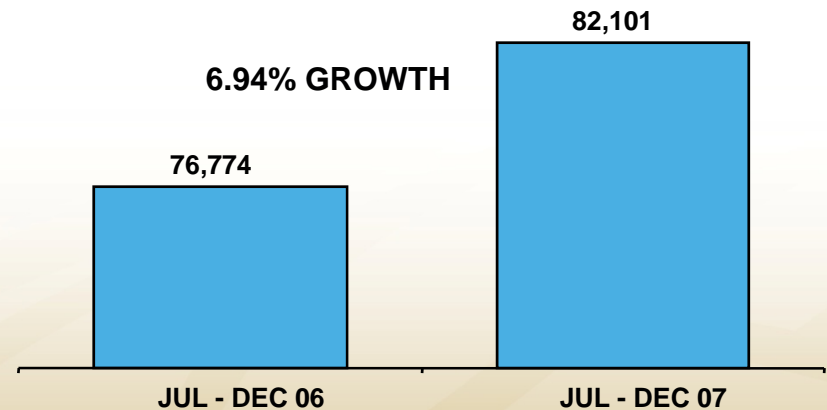
# Retail Market Update - Value

- The total Retail Frozen Savoury Category grew by 0.49% in July to Dec 07 vs same period 06
- Growth in total Retail Frozen Dessert Category of 6.94% in July to Dec 07 vs same period 06 was driven by continued growth in the frozen fruit product groups which includes the recently acquired Creative Gourmet brand.

Retail Frozen Savoury. Value \$000's



Retail Frozen Dessert. Value \$000's



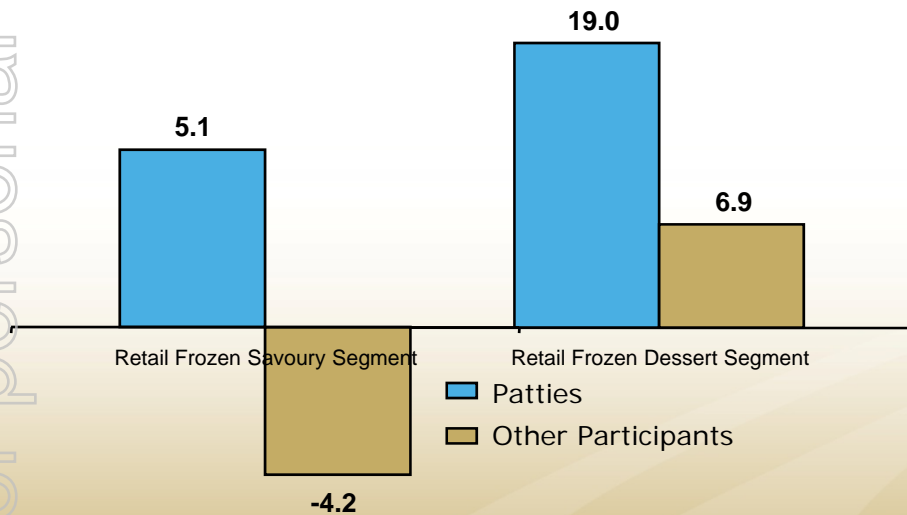
Source: Synovate Aztec Scan Data based on 6 month ending 31 Dec 2007



# Retail Brand Performance - Value

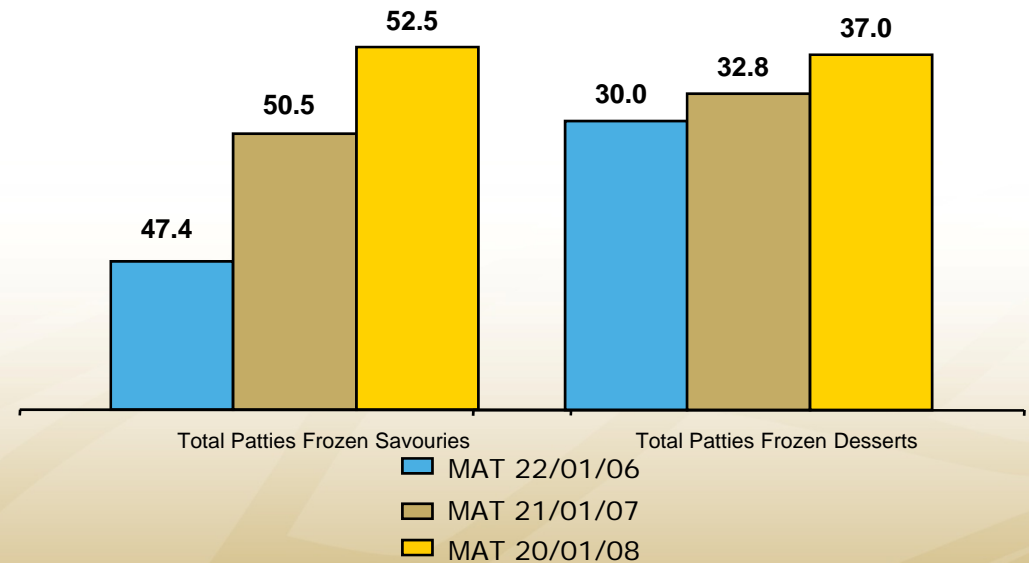
- Savoury brands achieved growth in retail value of 5.1% vs other participants decline by 4.2%
- Dessert brands achieved growth in retail value of 19.0% vs other participants grew by 6.9%
- Market shares illustrate continuing and sustained strengthening of position in both Savoury and Dessert categories.

**JUL - DEC 07 Scan Sales Growth**<sup>1</sup>



1. Source: Synovate Aztec Scan Data based on 6 month ending 31 Dec 2007.

**Patties Foods Market Share**<sup>2</sup>



2. Source: Synovate Aztec Scan Data based on Moving Annual Total (MAT) to 20/01/08.

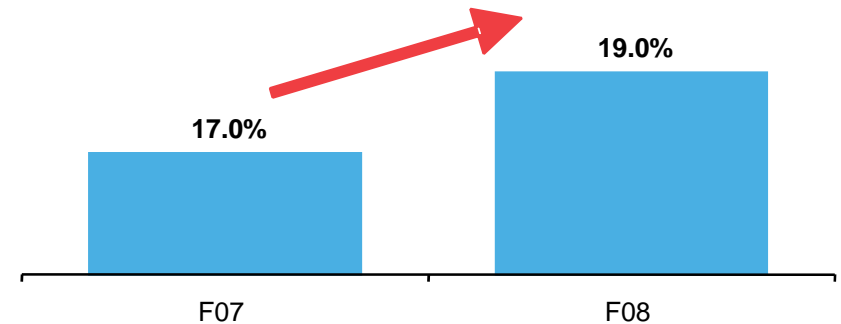


# Foodservice Performance

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- Foodservice sector has performed strongly
  - ▶ Increased market share
  - ▶ Successful roll-out of dedicated Foodservice field team
  - ▶ Major new business secured in F07
  - ▶ Route market conditions flat - alignment of field team to grow sector
  - ▶ Rollout of state-of-the-art hand held sales technology
  - ▶ Integration of Chefs Pride into Patties sales model on track
  - ▶ Defended and increased sales of Patties party range against new competitor entry

Market Share<sup>1</sup>



1. Based on management estimates.



# Financial Performance

- Significant Items \$674k (pre tax), 495k (post tax)
  - ▶ US Export write-off \$476k
  - ▶ Restructuring costs \$120k
  - ▶ Loss on startup of Davies JV \$78k
- EBIT has been impacted by manufacturing inefficiencies as highlighted at the AGM and product mix
- NPAT has benefited from a favorable taxation rate resulting from continuing deductible expenditure levels

Half year ending 31 December (\$m)	2006	2007	Variance
Net sales revenue	61.1	84.8	38.8%
EBITDA	12.0	13.8	15.1%
EBIT	10.0	11.7	16.6%
Significant Items (pre tax)	-	0.7	
<b>Adjusted EBIT</b>	<b>10.0</b>	<b>12.4</b>	<b>23.3%</b>
NPAT	5.6	7.3	30.1%
Significant Items (post tax)	-	0.5	
<b>Adjusted NPAT</b>	<b>5.6</b>	<b>7.8</b>	<b>39.0%</b>
Earnings Per Share (cents)	n/a	5.2	
Adjusted EBIT/ Sales	16.4%	14.6%	
Adjusted NPAT/ Sales	9.1%	9.2%	
ROE	5.4%	6.8%	
DPS (cents)	2.8	2.8	



# Balance Sheet

## Overview

- Interest bearing liabilities increased \$11.2m mostly relating to funding of the current capital works program at the manufacturing facility in Bairnsdale
- Gearing of 37.8% at 31 December 2007 (33.2% at 30 June 2007)
  - ▶ Borrowings/ EBITDA ratio of 2.5x
- Interest bearing liabilities classified as current under the accounting standards on the basis that the facility in place at reporting date was due for renewal in July 08.
  - ▶ Facility has been extended to January 2009 with intention to extend it further

## Summary Balance Sheet

	Jun 2007	Dec 2007
<b>Balance as at (\$m)</b>		
Current assets	58.4	50.9
Fixed assets	46.2	55.2
Brands and goodwill	78.3	78.5
Investments in Joint Ventures	5.3	8.4
Other assets	3.6	3.3
<b>Total assets</b>	<b>191.8</b>	<b>196.3</b>
Current interest bearing securities	5.8	65.4
Other current liabilities	24.2	15.5
Non-current interest bearing securities	49.3	0.9
Other non-current liabilities	7.1	7.6
<b>Total liabilities</b>	<b>86.4</b>	<b>89.4</b>
<b>Net assets</b>	<b>105.4</b>	<b>106.9</b>
Equity	68.6	68.6
Retained profits and reserves	36.8	38.3
<b>Total equity</b>	<b>105.4</b>	<b>106.9</b>



# Cashflow

## Overview

- Strong cash flows from underlying operations
- Capital expenditure program funded through increased borrowings

## Summary Cashflow Statement

Half year ending 31 December (\$m)	2006	2007
<b>Cash from operations</b>	<b>2.5</b>	<b>7.6</b>
Capital expenditure	(14.1)	(11.0)
Contribution to JV	-	(3.1)
Other	3.8	0.0
<b>Cash used in investing</b>	<b>(10.3)</b>	<b>(14.1)</b>
Increase in borrowings (net)	(12.1)	11.2
Net proceeds from shares bought back /issued	29.2	-
Dividends paid	(0.9)	(6.1)
<b>Cash from financing</b>	<b>16.2</b>	<b>5.1</b>
<b>Net cash movement</b>	<b>8.4</b>	<b>(1.4)</b>



## Operational Update

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- Bairnsdale capital expenditure progress report
  - ▶ New frozen dessert line commissioned in January 2008
  - ▶ New savory pie line on track for commissioning by June 2008
  - ▶ New 10,000 pallet freezer warehouse on schedule for completion June 2008
  - ▶ Gluten free pilot plant operational
    - Producing 10 SKUs in retail
- New Product Development (“NPD”) generated significant additional sales for the Company for the half year (Patties gluten free range, Four’N Twenty Hungry Man & Jaffles, Patties Party Pizzas, Creative Gourmet Crepes)
- Nannas Café Moments was successfully launched during the HY



# Operational Update

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## ■ Creative Gourmet/Chefs Pride (Silverwater) Operations

- ▶ Sales and marketing functions fully integrated into the Patties structure
- ▶ Production continuing to meet demand
- ▶ Second fruit packing line successfully implemented to meet growth in demand

## ■ Davies Bakeries Joint Venture

- ▶ Davies Bakeries plant is operational and producing both fresh and frozen product.
- ▶ The plant is continuing in commissioning phase.



## Update on PFL Strategy

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- Continue to integrate the new structure to deliver on systems and processes
- Focus on profitable growth in branded frozen food
- Commissioning of new product lines and freezer at the Bairnsdale Plant
- Targeted strategic innovation in chosen segments
- Continue to develop systems to support growth in the business
- Future growth will be driven both organically and by acquisition



## Outlook

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- Expected to experience some pressures in relation to certain raw material costs – will seek price increases to address where possible
- Second half focus on improving manufacturing inefficiencies and product mix and capitalising on additional production capacity from new frozen dessert line
- Further restructuring costs expected in the second half around same level as first half
- Focus on quality, efficiency, product innovation and marketing has seen, and will continue to see, market share gains
- Patties continues to look for acquisitions in line with its current strategy



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**Herbert Adams**  
SINCE 1951

**SNOWY RIVER**  
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