

OASIS

Time For Change

Oasis Calls for Premier Foods' CEO Gavin Darby To Be Removed

June 2018



VOTE AGAINST RESOLUTION 5 AT THE AGM ON 18 JULY 2018

Oasis Calls For Premier Foods' CEO Gavin Darby To Be Removed ...

- Gavin Darby has driven Premier Foods into its current “zombie-like” state – he has no credible strategy to return Premier Foods to growth. Long suffering shareholders need new energy, leadership and fresh ideas. The status quo is no longer tenable for all stakeholders – shareholders, pension holders and employees.
- **Oasis will be voting AGAINST Gavin Darby's re-election at the AGM on 18 July 2018 & urges fellow shareholders to do the same**
- **Oasis is proposing that:**
 - Alastair Murray (Premier Foods' CFO) becomes interim CEO
 - Alex Whitehouse (Managing Director of UK at Premier Foods) would closely support Alastair which will ensure stability (UK represents 92.5% of y/e March 2018 revenues)
 - A leading search firm be appointed to find a permanent CEO

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Oasis: A Committed Long Term 9.3% Shareholder In Premier Foods

- **Oasis has been a significant investor in Premier Foods since 2016**
- In our view Premier Foods had an **unsatisfactory response to the recent strategic review** which was designed to uncover ways of creating shareholder value
- We are concerned about the Premier Food's weak **Corporate Governance** and potential conflicts of interest
- As a result, Oasis's head of European Investments, Daniel Wosner, shared his concerns with the board and subsequently resigned from the board
- As the **largest independent shareholder, Oasis has completely lost faith** in him – it is **time for change**
- We have spoken to other **significant** institutional shareholders **who** share similar concerns

Significant Shareholder Value Has Been Destroyed Under Gavin Darby's Leadership While He Is Being Handsomely Overpaid (1)

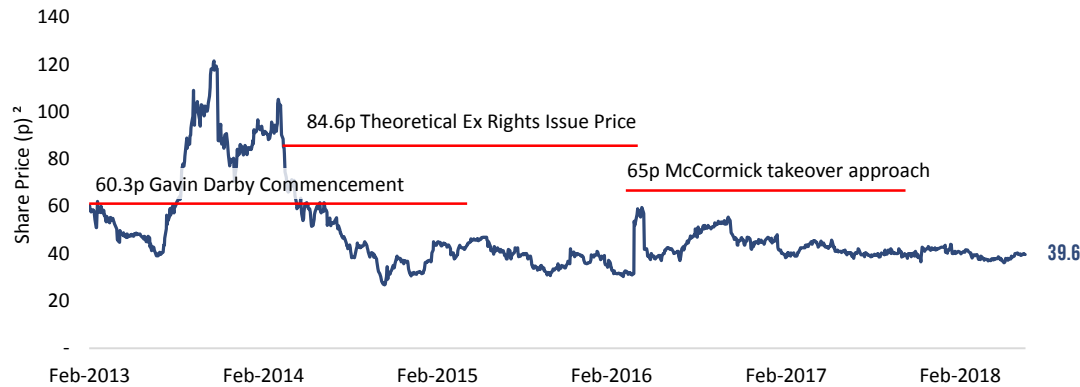
- Premier Foods' share price is **down**:
 - **53%** from the March 2014 theoretical ex rights issue price ¹
 - **39%** from the 65p per share March 2016 McCormick bid approach
 - **34%** from Gavin Darby's appointment in February 2013
- During his tenure, **on a TSR basis, Premier Foods has dismally underperformed both**:
 - the MSCI World Consumer Staples Index by **83%** ²
 - the FTSE All Share Index by **88%** ²
- **His base salary is upper quartile** ³
 - not only for the FTSE Small Cap Index of which Premier Foods is a constituent
 - but also for the FTSE 250 Index
- **His total remuneration for FY 2017/18 was a staggering £1.23m** ⁴ – for a year when the **share price has fallen 14.1%** vs FTSE All Share up 1.3% & MSCI World Consumer Staples up 4.1% ⁵

Source: Bloomberg, company data, Aon Hewitt

Notes: (1) Calculated by reference to the pre-announcement price of 140p & an 8 for 5 rights issue at 50p per new share ; (2) Premier Foods historic share price adjusted for March 2014 rights issue (Bloomberg adjustment factor of 0.655x). MSCI World Consumer Staples Index TSR of 48.2%, FTSE All Share TSR of 53.3% (both with dividends reinvested, over 4 February 2013 – 20 June 2018) ; (3) Aon Hewitt (New Bridge Street) 2017 Remuneration Surveys – data for highest paid director ; (4) FY 2017/18 Premier Foods plc annual report ; (5) MSCI World Consumer Staples Index TSR of 4.1%, FTSE All Share TSR of 1.3% (both with dividends reinvested, over 31 March 2017 – 29 March 2018)

Significant Shareholder Value Has Been Destroyed Under Gavin Darby's Leadership While He Is Being Handsomely Overpaid (2)

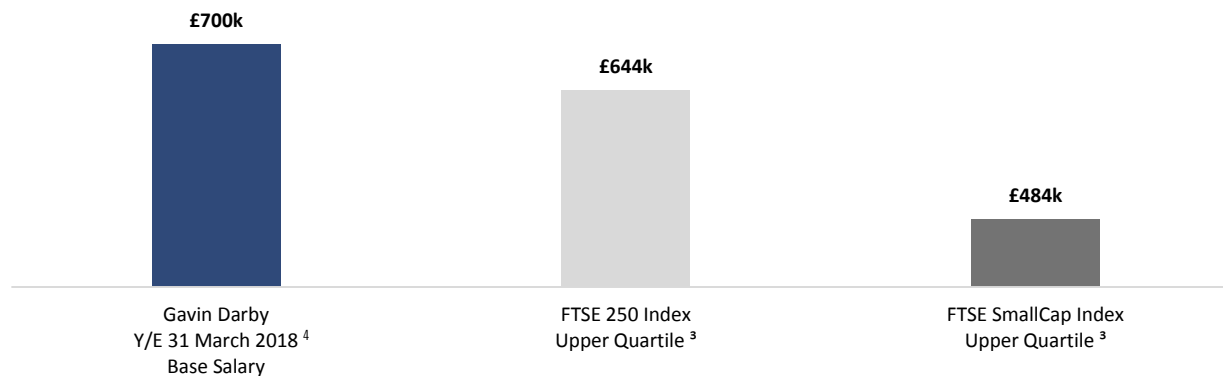
Material Shareholder Value Destruction Over Gavin Darby's Tenure ^{1 & 2}



Premier Foods' share price is down:

- 53% since March 2014 Rights Issue
- 39% since McCormick's 2016 bid approach
- 34% since Gavin Darby's appointment

Despite a Lacklustre Track Record, Gavin Darby Is Considerably Overpaid – Base Salary Comparison ^{3 & 4}

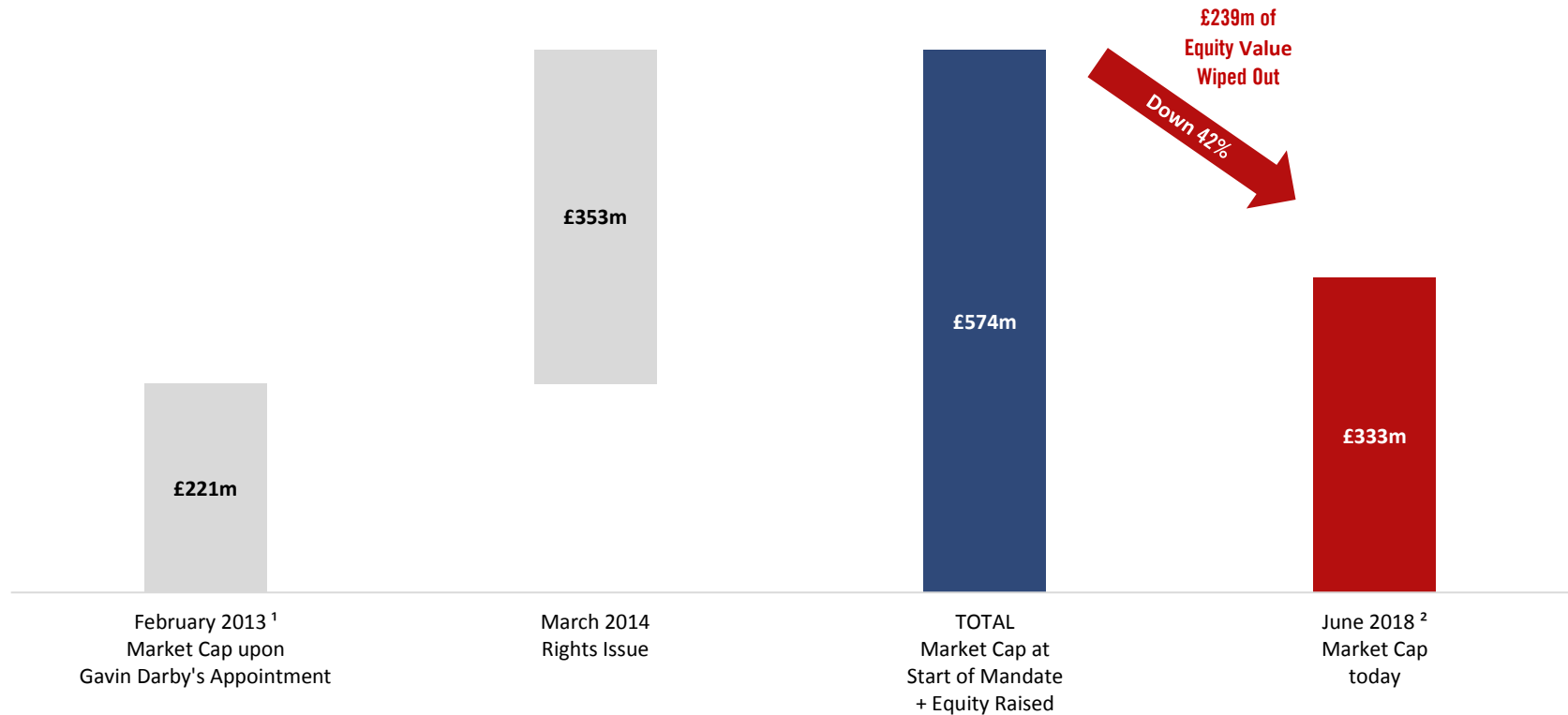


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Significant Shareholder Value Has Been Destroyed Under Gavin Darby's Leadership While He Is Being Handsomely Overpaid (3)

Gavin Darby Has Destroyed £239m of Shareholder Value

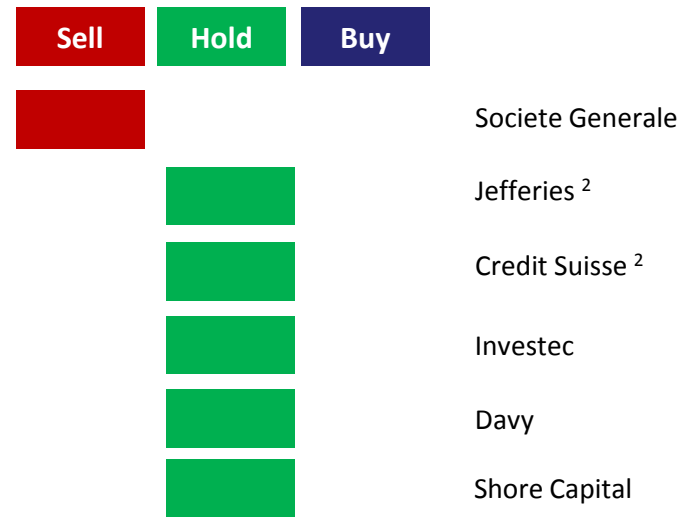
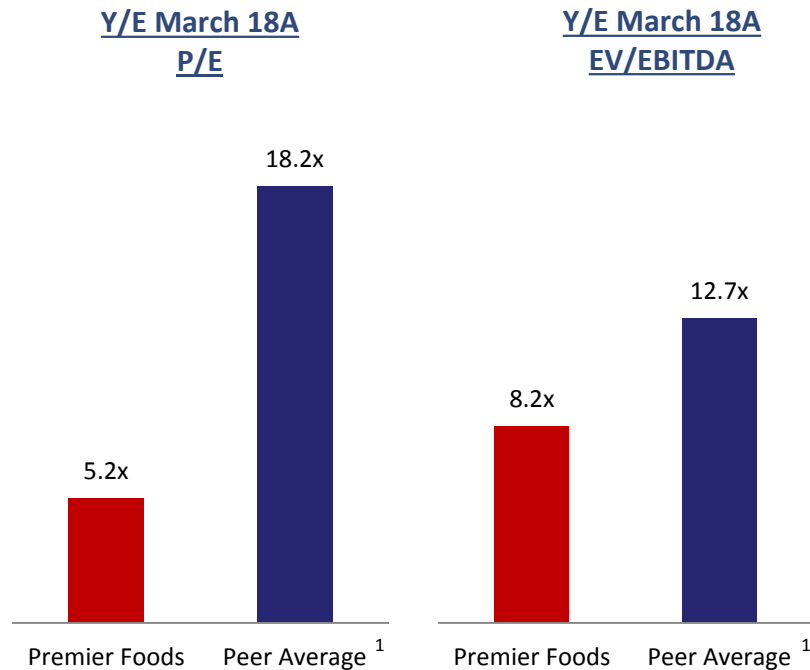


**Gavin Darby Has Overseen £239m of Shareholder Value Destruction
Corresponds to 72% of the Current Market Cap**

Significant Shareholder Value Has Been Destroyed Under Gavin Darby's Leadership While He Is Being Handsomely Overpaid (4)

Significant Valuation Rating Discount To Peers

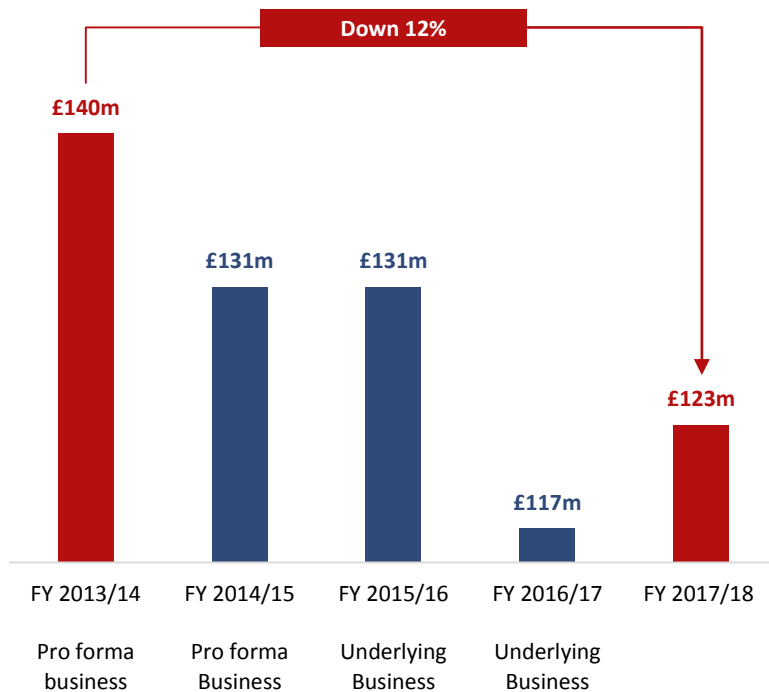
No Sellside Analysts Recommend Buying Premier Foods



Poor Financial Performance Under Gavin Darby's Leadership

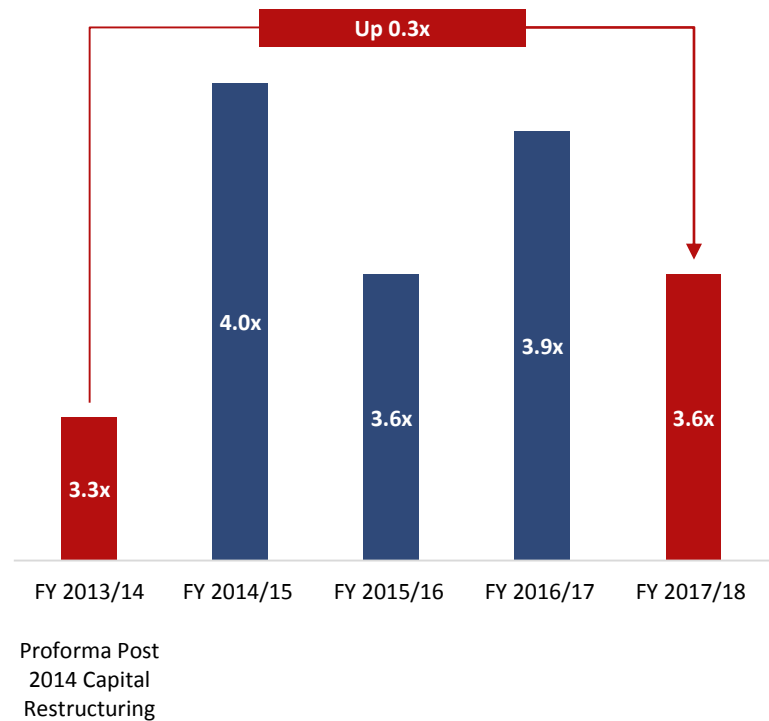
Trading Profitability Has Declined

- In his first full year as CEO (pro-forma y/e 5 April 2014) trading profit was c.£140m and **4 years on, trading profit has fallen to £123m**



Leverage Has Increased Post 2014 Capital Restructuring

- Proforma net debt/EBITDA** post March 2014 rights issue was 3.3x – this **has increased to 3.6x in the y/e March 2018**



Source: company data

5 Years Of Failure Under Gavin Darby's Leadership

Gavin Darby Has Set & Missed Multiple Targets Over Last 5 Years Including:

- ✘ Premier's decision under Gavin Darby's leadership to not proceed with McCormick's 2016 65p per share bid approach led to him targeting **sales growth** of between 2-4% – which he abandoned a year later
- ✘ In March 2014, he targeted a **net debt/EBITDA** ratio of <2.5x, which was never achieved & was re-set to 3.0x by 2020 – a target which is far away & Oasis has no faith in Gavin Darby's ability to deliver it
- ✘ In October 2016 he delivered a **sales warnings** but **nonetheless asserted** “we expect group sales to grow between 2-4% in the second half of the year and our profit expectations for the full year remain unchanged”
- ✘ 3 months later, in January 2017, **in the wake of another quarter of year-on-year decrease in sales**, he delivered a **second consecutive profit warning**: “we now expect trading profit for FY16/17 to be approximately 10% below previous expectations”
- ✘ He has also failed on his goal to return the Company to paying **dividends**

Enough is Enough

- ✗ Gavin Darby has shown a **track record of excuses to justify various earnings misses**:
 - 1 **Blaming the weather**: “we are disappointed that our Grocery business reported materially lower sales in the quarter due to warmer weather” ¹
 - 2 **And currency effects**: “obviously exacerbated by the devaluation of the pound”, “the 28% [rise] in euros becomes 45% [rise] in pounds”, “22% [rise] in US dollars and 43% [rise] in pounds” ²
- ✗ **Management have missed targets and under delivered**
- ✗ **We are tired of the excuses**

**Shareholders Deserve Better. Premier Foods’ Board Will Try & Convince Shareholders To Back Gavin Darby – Do Not Be Sucked In. We Urge You To Support Oasis.
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Lack Of Growth Due To Under-Investment Under Gavin Darby

- The **burden of servicing & reducing debt / pension liabilities restricts investment flexibility** – whether organically or by strategic M&A to reshape the business in response to changing consumer trends
- **Selling / marketing (including Advertising & Promotion (“A&P”) spend) has seen cost cuts in order to meet profit expectations**
 - E.G. analysts were told in May 2016 that A&P spend would be £42-44m for the 2016/17 financial year
 - But when the results were announced they were told it had been cut to £32m
- **A&P spend is vital to sustain performance & deliver organic growth**
 - Cardinal sin for a branded food manufacturer to have decreasing A&P spend

Premier's Full Potential Is Not Being Fulfilled

Weak Corporate Governance Under Gavin Darby's Leadership (1)

- Under Gavin Darby Premier Foods has consistently made **poor corporate governance decisions** including:
 - 1 **Denying shareholders the opportunity to evaluate McCormick's 2016 65p per share takeover approach**
 - McCormick 65p takeover approach is 64% higher than current share price
 - 2 **More recently, in our view the Company had an **unsatisfactory response to the strategic review** which was designed to uncover ways of creating shareholder value**

In our view, Gavin Darby's Self-interest & Self-preservation, Which We Will No Doubt See Much Of Over The Coming Weeks, Has Driven A Culture Which Does Not Respect The Interests Of Shareholders

Weak Corporate Governance Under Gavin Darby's Leadership (2)

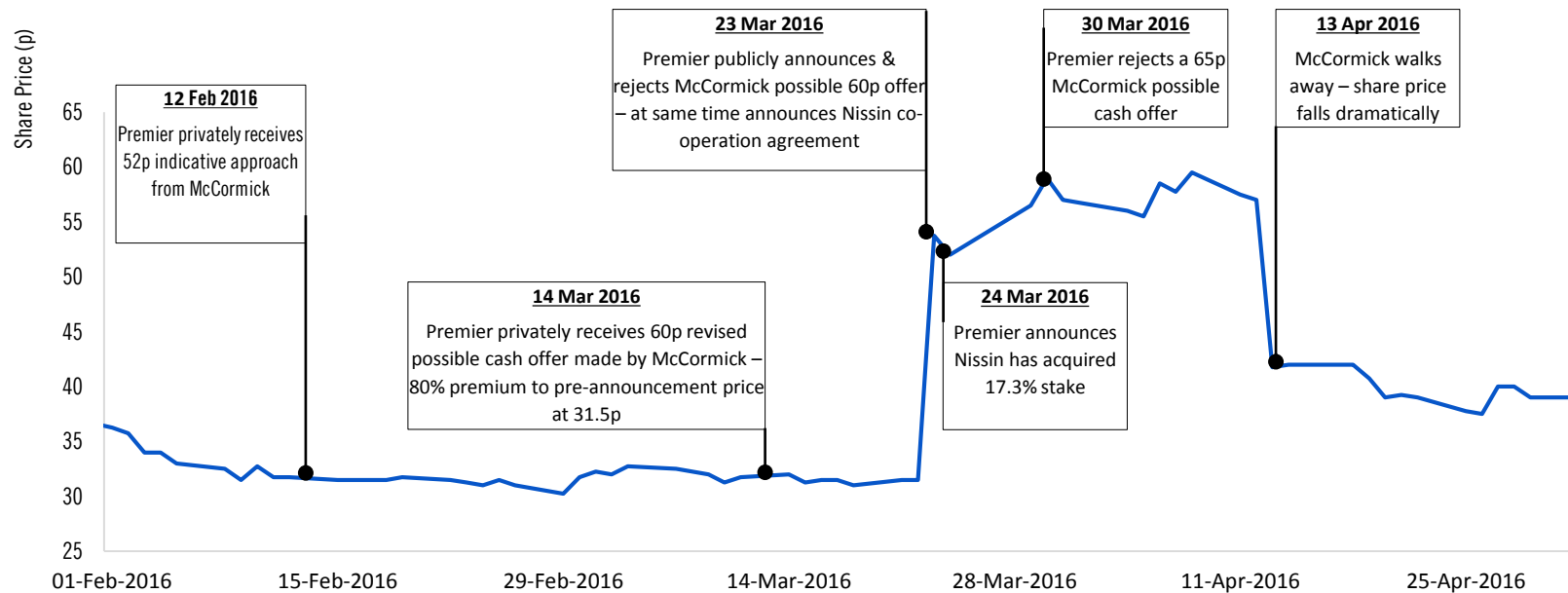
Unhelpful Board Attitude

“Despite McCormick’s efforts to enter into a meaningful dialogue with Premier Foods on several occasions, the **Board of Premier Foods has been unwilling to engage constructively with McCormick**”

McCormick (24 March 2016)

Weak Bid Rejection Rationale

Premier justified the possible offer rejection by saying 65p was an insufficient premium to Premier’s enterprise value – **BUT NOT** to Premier’s equity value which is what matters most to shareholders



**Shareholders Were Denied The Opportunity To Evaluate
A Highly Attractive Potential 65p McCormick Cash Offer**

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Since Gavin Darby Has Been CEO:

- Premier Foods Operating Profits: **↓ 12%**
- Premier Foods Net Debt / EBITDA: **↑ 0.3x**
- Premier Foods Share Price: **↓ 34%**
- Premier Foods Relative To FTSE All Share: **Underperformed 88%**
- McCormick 65p Takeover Approach: **64% Higher Than Current Price**
- Valuation (P/E & EV/EBITDA Multiples): **Significant Discount To Peer Group**
- Shareholder Value Destruction: **72% Of Current Market Cap**
- Analyst Broker Recommendations: **No Brokers Recommend Buying**
- Gavin Darby Base Salary: **Overpaid – Upper Quartile**

18 JULY 2018 AGM

Resolutions

5. To re-elect Gavin Darby as a director.

For

Against

Withheld

Appendix

Appendix: Alex Whitehouse Biography

Skills & Experience:

- Alex joined Premier Foods in July 2014 and is Managing Director of the UK assuming responsibility for both the Grocery and Sweet Treats divisions
- Alex has more than 20 years senior international, marketing, sales, strategy, innovation and general management experience gained across multiple geographies
- He spent the last 18 years with Reckitt Benckiser plc where he held senior marketing and general management roles including Managing Director, New Zealand and most recently Worldwide Head of Shopper & Customer Marketing
- Earlier in his career, he held a number of retail management positions with Whitbread plc

Existing Key Responsibilities

- Alex is responsible for leading the Grocery business (which encompasses Flavourings & Seasonings, Cooking Sauces & Accompaniments, Easy Eating, Desserts and Homebaking categories) & the Sweet Treats business

Note: This biography has not been approved by Alex Whitehouse himself

Appendix: More On Oasis

- Oasis is an international investment manager with an established 16+ years track record of investing globally
- Oasis often invests in companies with engagement opportunities to increase stakeholders value
- Oasis invested in Premier Foods for its great brands with a great platform which were poorly managed and as a result was valued at a significant discount to fair value
- Oasis has numerous successful engagement campaigns to improve corporate value. Its best when management also wants to take action to improve corporate value. Occasionally they do not and Oasis will be increasingly vocal
- Historically, Oasis is perhaps best known for its investment and engagement with Nintendo to 'go mobile' and monetize its Intellectual Property assets
- Nintendo has risen 400% since Oasis first invested and engaged with the company
- Oasis sees significant upside for Premier Foods under new leadership

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