# Mr Kipling targets US dessert market amid Premier Foods’ robust turnaround



Mr Kipling, the 57-year-old cake brand synonymous with British sweetness, has set its sights on capturing the American dessert market in a bold move to expand its presence internationally. Under the stewardship of Premier Foods, which also boasts well-known brands such as Bisto and Oxo, Mr Kipling is marching forward at a time when the company's financial health has transformed from a struggling entity into a resilient performance player within the FTSE 250.

This transformation is underpinned by Premier Foods’ robust financial metrics: shares recently hit a 15-year high following the release of strong full-year earnings and a notable increase in dividends. In the past three years, the company's bottom line has experienced a compounded annual growth rate of 22 percent, largely stemming from a steady revenue growth of 6 percent. Moreover, Premier has significantly reduced its debt burden, bringing net debt down to just 0.7 times its earnings before interest, taxes, depreciation, and amortisation, from problematic levels of up to six times in previous years.

The company's recent suspension of pension deficit payments is expected to further amplify its financial flexibility, as it will enhance free cash flow by an estimated £33 million for the financial year ending March 2025. Such measures have bolstered Premier Foods’ capital allocation options, allowing for a disciplined approach to growth and acquisitions, notably the recent purchase of The Spice Tailor brand, which has shown promising sales growth.

Premier Foods' strategy increasingly focuses on international markets, where it has already established a foothold in Australia and New Zealand. In recent weeks, the company expanded its Mr Kipling range into the U.S. through a distribution agreement with Canada's Weston Foods, marking a significant step in its international strategy. Analysts suggest that the U.S. dessert market presents a lucrative opportunity, valued at approximately $5 billion, and Mr Kipling may benefit from the local perception of British cakes as premium products, bolstered by cultural associations with afternoon tea.

Recent sales data reflects Mr Kipling’s positive trajectory, with recorded market share growth particularly in Australia. The brand is aiming to further build distribution in the U.S. following successful trials earlier in Canada, where products like chocolate and salted caramel cakes received enthusiastic consumer responses. This foundational success paves the way for future expansions into biscuits and ice cream.

While Premier Foods is maximising its growth potential, the company must exercise caution to avoid past pitfalls associated with overextending itself during periods of expansion. The management remains vigilant, balancing the ambition for international growth with strategic acquisitions that promise clear potential for expansion.

Looking ahead, Premier Foods' current valuation remains modest, positioned at 13 times anticipated earnings. If it can sustain its growth trajectory within the U.S. and other international markets, and if margins continue to improve alongside prudent capital allocation, the company may indeed secure a place among the giants of the food sector. As it prepares to introduce its apple pie offerings to American consumers, the stakes are high, but so are the prospects for success.

### Reference Map

1. Paragraphs 1, 2, 3, 4, 5
2. Paragraph 3
3. Paragraphs 1, 5
4. Paragraphs 1, 5
5. Paragraph 5
6. Paragraph 5
7. Paragraph 5

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.ft.com/content/39b97706-eb96-4138-8d9c-a6ee77349a7c> - Please view link - unable to able to access data
2. <https://www.reuters.com/business/retail-consumer/premier-foods-shares-nearly-13-yr-high-after-suspension-pension-deficit-payments-2024-03-06/> - Premier Foods' shares surged to a nearly 13-year high after the company announced an agreement to suspend pension deficit payments from April 1st. This move is expected to boost free cash flow by £33 million for the financial year ending March 2025. CFO Duncan Leggett highlighted that this suspension significantly enhances their free cash flow, providing better capital allocation options for their growth aspirations. The last time shares reached this level was in June 2011.
3. <https://www.premierfoods.co.uk/news/preliminary-results-for-the-52-weeks-ending-1-april-2023/> - Premier Foods reported strong performance for the 52 weeks ending April 1, 2023, with branded revenue up 9.1% and total grocery revenue up 15.3%. The company achieved a trading profit increase of 11.5%, maintaining margins despite input cost inflation. International revenue grew by 10%, with Mr Kipling achieving record market share in Australia. The company also made its first acquisition in 15 years, The Spice Tailor brand, which is delivering accelerated sales growth.
4. <https://www.premierfoods.co.uk/news/half-year-results-for-the-26-weeks-ended-30-september-2023/> - For the 26 weeks ending September 30, 2023, Premier Foods reported branded revenue up 15.8%, with total headline grocery revenue up 24.6%. Trading profit increased by 19%, with margins in line with the prior year. The company made strong international progress, with Mr Kipling building distribution in the USA and further market share growth in Australia. New categories revenue increased by 21%, led by continued momentum of Ambrosia porridge pots.
5. <https://www.just-food.com/news/premier-foods-inks-mr-kipling-cakes-deal-in-us-with-weston-foods/> - Premier Foods signed an agreement with Canada-based bakery supplier Weston Foods to sell and market Mr Kipling cakes in the US. This partnership is part of Premier's international strategy, aiming to expand its presence in North America. The first deliveries to Weston under the agreement were expected in the first quarter of Premier's new financial year beginning in April. No other details were provided at the time of the announcement.
6. <https://www.theguardian.com/business/2021/nov/16/mr-kipling-sets-sights-on-us-market-after-exceedingly-good-trial-in-canada> - Mr Kipling, owned by Premier Foods, is set to enter the US market in January with chocolate and salted caramel cakes after a successful trial in Canada. The company also plans to extend its range into biscuits and ice cream for the first time. Despite a 5% fall in sales overseas, Premier Foods expects to invest £25 million in the year to improve supply chain efficiency and support international expansion.
7. <https://www.proactiveinvestors.com/companies/news/1046509/mr-kipling-owner-in-prime-position-for-us-expansion–broker-1046509.html> - Analysts at Deutsche Bank believe Premier Foods, owner of Mr Kipling, is well-positioned to capture a share of the US$5 billion cake market. The company has begun working with a local distributor in the US, with positive consumer and customer reactions so far. Deutsche Bank rates Premier Foods a 'buy' and targets a 210p stock price, representing a near 30% premium to its current market value.