



Nomad Foods Limited

First Quarter 2018 Earnings Conference Call

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C O R P O R A T E P A R T I C I P A N T S

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C O N F E R E N C E C A L L P A R T I C I P A N T S

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Brian Holland, *Consumer Edge Research, LLC*

Robert Dickerson, *Deutsche Bank Securities*

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Adam Mizrahi, *Berenberg Capital Markets*

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P R E S E N T A T I O N

Operator:

Good day and welcome to the Nomad Foods First Quarter 2018 Earnings Conference Call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Taposh Bari, Head of Investor Relations. Please go ahead, sir.

Taposh Bari:

Great. Thank you, Dharmin, and thank you for joining us to review our first quarter 2018 earnings results. With me on the call today are Chief Executive Officer Stéfan Descheemaeker, and our Chief Financial Officer Samy Zekhout.

Before we begin, I would like to draw your attention to the disclaimer here on Slide 2 of our presentation. This conference call may make forward-looking statements that are based on our view of the Company's prospects at this time. Actual results may differ due to risks and uncertainties which are discussed in our press release, our filings with the SEC, and this slide in our Investor Presentation which does include cautionary language.

We will also discuss non-IFRS financial measures during the call today. These non-IFRS financial measures should not be considered a replacement for and should be read together with IFRS results. Users can find the IFRS-to-non-IFRS reconciliations within our earnings release and as well as in the appendices at the end of the slide presentation that is available on our website.

Finally, please note that certain financial information within this presentation represents adjusted figures for both 2017 and 2018, and that all adjusted figures have been adjusted for exceptional items, restructuring, share-based payment and acquisition-related items, and that all comments from hereon will refer to those adjusted numbers.

With that, I will hand the call over to Stéfán.

Stéfán Descheemaeker:

Thank you Taposh and thank you everyone for joining us on the call today. 2018 is off to a strong start with the momentum we experienced throughout 2017 continuing into the new year. We reported first quarter organic revenue growth of 2.9%, gross margin expansion of 240 basis points, Adjusted EBITDA of €103 million and adjusted EPS of €0.35 per share which is up 40% versus the prior year.

Based on our strong year-to-date performance and visibility to the remainder of the year, we are raising guidance to the high end of our prior expectations and now expect full-year 2018 adjusted EPS in the range of €1.10 and €1.13 per share. This represents growth in the range of 11% to 14% versus the prior year.

While the calendar year has changed, the underlying drivers of our performance remain largely consistent. Our formula for success continues to be driven by focus around our core as well as a strong sense of purpose behind our goal of increasing market share within the frozen food category. As Samy will outline our first quarter top line performance came with very strong gross margins. While partly helped by phasing, these results underscore our focus on profitability and represent a meaningful step towards achieving our long-term target of 20% EBITDA margins.

Finally, during the first quarter, we announced the acquisition of Goodfella's, a market leading frozen pizza business in the U.K. and Ireland. We are excited to enter pizza, which, as you know, is a large and growing frozen category where we historically had limited presence. In addition to expertise in a new category, Goodfella's also brings us size and scale in the U.K., which as you know is our largest market by revenues in a country where we believe we have a meaningful opportunity to grow further. With the deal now closed, our focus shifts to successfully integrating Goodfella's into Nomad Foods while leveraging our scale and commercial capabilities.

Turning to Slide 5, we'd like to highlight some of the growth initiatives that contributed to our performance in Q1 while also providing you with visibility about how we plan to sustain momentum throughout the rest of 2018 and beyond.

Since 2016, our strategy has been primarily focused on our core portfolio with examples including fish fingers, frozen fish and peas. Most of you have come to know these as our must-win battles. We have significantly improved our commercial execution. It has been an all-encompassing effort built around product enhancements, packaging improvements, investment in working media, improved media content and better in-store execution. This strategy to date has been largely applied to the existing part of our portfolio where we have seen the greatest growth potential and the highest return on investments.

The sustainability of our playbook continues to be validated with every passing quarter. Q1 represented our fifth consecutive quarter of organic revenue growth, category growth and market share expansion. We know that improved execution is a never-ending journey. As such, while we are satisfied with the

progress that we have made, we believe that we still have a long way to go before reaching a level of best-in-class performance.

As we look back at Q1, we raise the bar even further by executing along all elements of our growth model and accelerating momentum within our core business.

In media, we launched a new Captain campaign, which we first rolled out to you during the month of January. As you know, the Captain is one of our most iconic brand assets. After years off the air, we decided to bring the Captain back to TV in 2016, which turns out to be a very good decision. We further invested in the Captain in Q1 by launching a new pan-European campaign which reinforces simplicity of our fish finger ingredients under our slogan of Real Food Simply Made.

On product, we continue to make enhancements to our core including the introduction of our crispiest-ever fish fingers in early March.

And finally, on in-store execution, we built on our distribution momentum by expanding into Hofer, which is Aldi's banner in Austria.

In summary, we continue to make significant progress in improving the execution of our core portfolio and believe we still have a way to go before realizing our full potential. As we advance through 2018, we will begin to apply this playbook through a series of new innovations that we have been developing within our pipeline.

Slide 5 highlights some of the new product that you will see us launch throughout the year, mainly the second half, beginning with the back to school period. Through a series of concentrated big bets, these innovations will leverage our leadership position in core categories, such as frozen vegetables and ready meals. These innovations include Veggie Power, a vegetable mix boosted with the inclusion of grains and pulses, Good For You, a new range of vegetable based meals with a modern twist, and Pease, a new plant food innovation offering consumers a healthy substitute to meat.

Indeed, we are very excited to take our product through to the next level and align it even further with powerful convenient consumer slants, such as health and wellness, plant protein and convenience.

Ultimately, we expect the combination of improved execution, growth in our core and increased contribution from innovation to drive sustained market share gains and an organic growth rate in the low single digits range.

In summary, 2018 is off to a strong start with Q1 results further validating the sustainability of our strategy, and importantly, the team's ability to execute against it.

I would now like to turn the call over to Samy Zekhout. As most of you know, Samy joined us as CFO last month following a 30-year career with Procter & Gamble where he was most recently the CFO of the global grooming business. Samy brings extensive experience to our organization and we look forward to his contribution in the years to come.

With that, I will hand the call over to Samy to provide a more detailed overview of our first quarter's financial results.

Samy Zekhout:

Thank you, Stéfan, and thank you all for your participation today. It's a real pleasure to be joining Nomad Foods at such an exciting time, and I look forward to meeting you in the months to come.

Turning to Slide 6, I will provide more detail in on our key operating metrics beginning with revenues, which increased 1.5% to €539 million driven by 2.9% organic revenue growth and offset by 140 basis points from unfavorable foreign exchange from inflation.

Organic revenue growth of 2.9% exceeded our guidance of 2%, mainly due to a strong end to Q1. Organic growth closely resembled consumer takeaway as we once again gained market share in a category that grew low single digits. Growth was particularly balanced by geography. We experienced growth in the U.K., Germany and Italy which grew organic sales by 6%, 8%, and 4%, respectively. These are our three largest countries, accounting for nearly 60% of sales and an even greater percentage of our EBITDA. They are also the markets where we have prioritized strategically as having high margins, high market share and high growth potential. All three countries posted organic revenue growth and increases in market share during Q1.

As you may be aware, there were a number of shifts during the first quarter. First, we benefited from an earlier Easter which helped first quarter sales grow by about 1%. Second, this benefit was partly offset by the phasing of promotions out of Q1, part of which will shift into the year-to-go period. In net, we are pleased with organic revenue growth of 2.9% in Q1 and remain comfortable with our ability to realize low single-digit organic revenue growth for the year.

Moving on to gross margin, which expanded 240 basis points to 31.8%, gross margins were helped by 180 basis points for mix, 100 basis points from price and promotion, and were offset by 40 basis points from higher cost of sales. First quarter gross margin illustrated the progress that we continue to make along our net revenue management program and put us on pace for another year of gross margin expansion in our base business.

While we are pleased by our gross margin performance during the first quarter, there were a few contributing factors to the overall magnitude of the increase which will not repeat in future quarters. They include the anniversary of U.K. trade promotion in the year-ago period, the shift of certain promotions out of Q1, and favorable year-on-year purchasing of fish.

In net, we are pleased by gross margin performance during the first quarter, but do expect to realize a more modest growth rate of our gross margin expansion for our base business throughout the remaining nine months of the year, as a whole. Further, beginning in Q2, our P&L will also begin to reflect the Goodfella's acquisition which, as you know, has lower gross margin than our legacy business. Taking both of these factors into consideration, we expect consolidated gross margin to be in the range of 30% to 31% throughout the remainder of 2018.

Moving down to the rest of the P&L, adjusted operating expense declined 2% year-over-year with a 4% reduction in indirect expense offset by 1% growth in A&P. Adjusted EBITDA was €103 million, representing a 16% increase versus the prior year. Adjusted EBITDA margin expanded 230 basis points to 19.1% for the quarter. Adjusted EPS was €0.35 for the quarter, an increase of 40%, reflecting higher EBITDA, lower interest expense and share repurchase.

Turning to cash flow on Slide 7, we generated €83 million of adjusted free cash flow throughout the first quarter, which equates to operating cash flow conversion of 86%. Factors contributing to free cash flow for the first quarter are as follows: Adjusted EBITDA of €103 million which grew 16% year-on-year; working capital was an €11 million offset in Q1, mainly due to phasing; capex was €4 million during the quarter, beating last year as we anniversaried the increased spend on machinery and equipment related to the Findus acquisition integration; cash taxes were €3 million, and finally, cash interest and other was €3 million below last year's amount due to a combination of refinancing benefits, gain on derivatives and phasing.

Turning to Slide 8, on 2018 guidance which is based on foreign exchange rates of May 9, 2018, based on our year-to-date performance and visibility into the rest of the year, we are raising our full-year 2018 guidance to the high end of our prior range. As a result, we now expect 2018 Adjusted EBITDA in the range of €355 million to €360 million and adjusted EPS in the range of €1.10 to €1.13 per share. When translated into U.S. dollars, the currency in which our shares trade, adjusted EPS guidance equates to a range of US\$1.30 to US\$1.33 per share.

Full-year guidance continues to be based on an underlying assumption of low single digit organic revenue growth. Based on current exchange rates, we expect FX translation to represent approximately 100 basis points of drag on reported revenue in both the second quarter and the full year. While the British pound has been somewhat stable versus the euro, currency translation has been negatively impacted by the recent depreciation of the Swedish krona and Norwegian kroner versus the euro, resulting in a translation headwind greater than our prior expectation for the full year.

As a reminder, our full-year guidance includes Goodfella's which will be owned for approximately two months of Q2 and the entire quarter beginning in Q3 and beyond. We continue to expect Goodfella's to contribute approximately €90 million in revenue and €10 million EBITDA for the partial year of ownership in 2018. While we expect Goodfella's to be immediately accretive on EBITDA and EPS, this business does come with lower gross margin from the outset, and is expected to offset gross margin in our base business by approximately 100 basis points per quarter until fully incorporated in our base.

Including Goodfella's mix and the aforementioned gross margin driver, we expect to report consolidated gross margin in the range of 30% to 31% throughout the remainder of 2018.

On operating expense, we continue to fund investment in A&P through discipline around indirect expense. For the year, this should result in operating expense growing roughly in line with revenue growth. On a quarterly basis, we now expect A&P spend to more evenly balanced throughout the course of the year which will result in a meaningful year-over-year increase in Q3.

Taking the aforementioned factors into consideration along with a steady build of Goodfella's EBITDA contribution throughout the year, we expect Q1 and Q4 to represent the majority of this year's absolute EBITDA growth versus the prior year.

That concludes our remarks. I will turn the session over to Q&A. Thank you. Dharmin, back to you.

Operator:

Thank you. Ladies and gentlemen, if you would like to ask a question, please signal by pressing star, one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, please press star, one to ask a question. We will pause for just a moment to allow everyone an opportunity to signal for questions.

We'll take our first question from Steven Strycula with UBS. Please go ahead, sir.

Steven Strycula:

Good morning. A quick question for you, Stéfan. Wanted to make sure, it sounded like the last time we heard from you up in New York at the CAGNY lunch that the quarter was trending for first quarter roughly around 2% organic sales, and you guys did a little bit better than that with 2.9%. Was there anything that happened kind of at the end of the quarter from maybe a sell-in benefit, or was it just that you really just finished the month pretty strong in your base business?

Stéfan Descheemaeker:

Thanks, Steve. Actually, there was no phasing so no sell-in, in fact. It's just we performed a bit better than expected, probably a bit helped by the weather, by the way, because the weather was a bit colder, and at the same time great market expansion. So, a combination of all these things. You remember what we said is the category is growing, market share is growing and then on top of that we were a bit helped by the weather. That's the algorithm, I would put it that way.

Steven Strycula:

Okay. As we think about the cadence of the year, should we think about the third quarter being the toughest year-over-year organic sales compare due to the strength of the category and the weather from a year-over-year comparison basis? Then, if you could spend a moment, Stéfan, talking about the innovation plans in the back half in a little larger detail, just because you guys haven't been that big on innovation; you've been more focused on renovation, so just giving us a little bit of feel as to what we should expect changing the revenue trajectory as we get to the back half. Thank you, and I'll pass it along.

Stéfan Descheemaeker:

I would focus instead of Q3 I would say think the three quarters, just to highlight that we're just confirming the low single digit organic revenue growth. We feel confident we're going to get there. Again, back to the same combination of the category growing and we taking market share bit by bit, quarter by quarter. That's that, and so I would not pinpoint any specific quarter.

Then back to innovation, which is a good point. Maybe a bit of retrospect; Steve, you remember I think what the difference is indeed we very much focused on the first two years and a half, and I really believe, rightly so, we had to make the foundations of business sound again. In the meantime, I think we've taken the more mature approach towards innovation. So, we're back to innovation but instead of diversifying us away from our core business, it's really focused on a limited number of big bets, so it's more focused. It's focused behind the core business, number two, and then, you know, with obviously taking into consideration the big trends what we see the macro consumer trends like convenience and health and wellness. That's going to really hit us in the second part of the year, especially quarter 4, I would put it that way.

So, more to come. You've seen some examples in our presentation, but so again, key words, it's core, it's key consumer trends and it's more focused behind a more limited number of bit bets, and within H2 more specifically. Did it answer your question?

Steven Strycula:

Thank you. Yes, you did. Thank you.

Operator:

We will now take a question from Brian Holland of Consumer Edge Research. Please go ahead.

Brian Holland:

Thanks. Hello everyone. I guess just to confirm on the margins, I know you talked about some benefit there or some things that happened in Q1 that won't repeat in Q2. Just to confirm, is there anything—

when you talk about phasing, etc., is there anything where you benefited in Q1 where that benefit actually reverses or maybe you stole a little bit from Q2 on the margin side, or maybe just because of the shift sequentially, that anything changes there? Then carrying the margin question forward as we go over the balance of the year, anything we should be sensitive to in our models with respect to launch costs, etc., around the innovation that you've described?

Samy Zekhout:

Yes, if we come back, I can just make sure we recap the point there. Gross margin has been expanded by 240 basis points, as I had mentioned. There is roughly about 180 basis points from mix, 100 basis points from price and promotion and it was offset by the cost of sale, effectively, that has been of effectively by about 40 basis points which has impacted there.

We have seen some shift of promotion effectively from Q1 and which effectively will have a marginal effect, if you want, moving forward, but the reality is that there is nothing that effectively of a large nature that is going to change the pattern, if you want, moving forward. The key point there is that it's very important, frankly, that we look at the total year where effectively we are going to roughly improve, if you want, our gross margin versus a year ago, that is very clear, and I mean based on effectively the calculations we have made, I mean Goodfella's will be impacting our growth margin by roughly about 100 basis points per quarter moving forward, so that's going to be effective one thing that we look forward. So, on the base of our base business, our base business gross margin will be improving and the one element to affect it, to answer your question specifically, that is effective going to have an impact on the shift is going to be promotion.

Brian Holland:

Yes. That's helpful. Thank you. Just quickly shifting to the top line, maybe at a category level, obviously you talked about January being soft. I guess it's dating back to the Q4 call, January was surprisingly soft and then you saw some rebound over subsequent months; February, March, I think you talked about at the CAGNY lunch. But only one more month to add on to that but are we continuing to see that trend? And anything just that you're seeing at a category level that would change your view near to intermediate term about the backdrop there?

Stéfan Descheemaeker:

The honest answer is no but back to—let me start again with what we've seen. Indeed, you're right, Brian. I mean January was soft. It was really a bit (inaudible), you know, between January and February and March, so March it's maybe back, by the way, to Steve's question, March was really very solid. Then it really premature to come with any expectations for the year. So, we're back to the model we put together which is we believe that this category, it grows, it's growing and will grow, and on the back of that we're going to get market share. That's been working like this and we don't see any reason to change one way or another the model.

Brian Holland:

Okay. Then last one for me, a few weeks had a transaction announced on the retail side in the U.K. Just curious if you could give us a sense, your exposure to Sainsbury and ASDA and also just maybe just some high level commentary about how you think that might or could impact the market and sort of just reiterate your stance on how you're positioned on the retail side such that maybe this is or isn't an issue going forward, or risk to pricing, etc. Thank you.

Stéfan Descheemaeker:

I'll be very factual. Number one, the U.K. represents around 25% of our sales, so it's not 100%, so that's one thing. Second, we have all read what they've put together and indeed they have identified procurement synergies, which is part of the game. As I said, it's part of the game, so we've been through these kind of games in the past with the merger of (inaudible) or the buying groups in France. So, that's our job and we have to get there. I think it offers also some opportunities especially for us as a brand leader, and especially in the middle of this recovery where we're moving from one strength through to— from strength to strength. So, that's part of the game. We're going to have some conversations. It's going to take some time, as you know. It's not going to close apparently, again. Not going to speculate on anybody else's merger but apparently it's not going to close before next year, so we're going to have conversations, and that's it.

I won't say its business as usual but its part of the game.

Brian Holland:

Thanks. Appreciate the color. Best of luck.

Operator:

We will now come to a question from Rob Dickerson with Deutsche Bank. Please go ahead.

Robert Dickerson:

Thank you very much. Just I guess a couple of questions, more mechanical, both on margin, just cadence for the year that you walked through fairly specifically. One is just on the gross margin, you're saying 30% to 31% for the remainder of the year and then essentially I think for the full year, so that implies basically flat gross margin kind of from Q2 to Q4. Then you said, I think you said there was approximately 100 basis point offset that would come from the Goodfella's tuck-in, so I just want to be clear that when we see gross margin or if we expect to see gross margin flat for the rest of the year that obviously the base business would be up approximately 100 basis points per quarter. Thanks.

Taposh Bari:

Rob, it's Taposh. Just a quick correction on your comment. We didn't comment on gross margins for the year. What we said is Q2 through Q4, so the next three quarters cumulatively that we expect gross margins in that range of 30% to 31% after Goodfella's.

Samy Zekhout:

Including Goodfella's.

Stéfan Descheemaeker:

Including, yeah.

Robert Dickerson:

Including Goodfella's. Okay, got it. Then just in terms of the Goodfella's drag, yeah, I think the commentary was kind of that would drag on margin until basically I guess kind of fully integrated or better revenue management, etc., so I'm just curious just kind of on thoughts as you bring that in to the Nomad structure in Q2, the plan is basically to kind of better operate the business through revenue management

to try to improve the margin and therefore in '19 that hopefully would no longer be a margin drag. That would be more in line with regular Nomad base. Is that right?

Stéfan Descheemaeker:

Let me first requalify the drag. For me, the drag to some extent is an opportunity so it means that we can bring value to the organization and that's part of the acquisition game, obviously, so we believe that in terms of net revenue management, more specifically in terms of promo efficiency, for example, something what we have done quite efficiently in the rest of the group, we can bring value, so that will obviously improve the gross margin for Goodfella's, that's one thing.

At the same time let me put it that way, you also have private label and private label comes with—in terms of gross margin, comes with structurally lower gross margin and that will not change, as such, unless obviously the mix between gross margin—between private label and brands is changing over time but that's not going to happen any time soon, taking some time.

More importantly as well, if you're moving downwards from gross margin to EBITDA, it also comes with a much lower organization and fixed cost organization, so what is a drag at the gross margin level is much less of a drag at the EBITDA level. As you know, our main objective is to move within the next few years to €25 million EBITDA and that's ultimately our goal.

Robert Dickerson:

Okay, perfect. Quickly, Stéfan, just given your penchant and I guess explicit business strategy to continue to just basically roll up frozen within Western Europe, I'm just curious as to how you view the current M&A environment within Western Europe, more specifically in frozen, and if the expectation that potentially more assets could come to market from larger companies is still in the cards? Thanks.

Stéfan Descheemaeker:

I think to your point, and number one, I can only agree with you it's the right focus, so we focus behind the consolidation of the frozen food industry in Europe, and you still have some interesting assets to be acquired at some stage. But by definition of M&A, you know, you have to prepare yourself and we are preparing ourselves and I think these two, three years have been very good in terms of preparation. Now, obviously, what we can't predict is obviously when the sellers, the current owners will decide to sell. That's the definition of M&A, but the good news is that you still have some interesting assets to be acquired.

Robert Dickerson:

Okay, great. Thank you.

Stéfan Descheemaeker:

Thank you.

Operator:

We'll take our next question from Bill Chappell with SunTrust. Please go ahead.

William Chappell:

Thanks. Good morning.

Stéfan Descheemaeker:

Morning.

Samy Zekhout:

Good morning.

William Chappell:

Good morning. Can you maybe walk around the kind of little bit just and kind of how some of the specific countries are trending. In particular, I think you had said that, looking back, Germany is the only place that's really trending above where you were two, three years ago, and whereas the U.K., Sweden, France still had some room to go. Maybe kind of an update there of what you see and whether they will kind of get back to where you—where they were a couple of years ago by the end of this year?

Stéfan Descheemaeker:

You know, Bill, we're not fixated by when they're going to cross a magic line, so that's more what can offer, what is the potential? But let's face it, as Samy explained, 60% of our business is in the U.K., Italy and Germany, those are the most in-countries. We have the core businesses, the core categories, but we also have most in-countries and together they're very important to us.

You remember that U.K. was a bit slower than the others and now it's catching up, which is very good news, and so also that's very good news in line with good sellers, so it means that the organization is ready. Then you know, we have indeed countries like Sweden which is still negative, as expected by the way. We knew that we had to digest a series of things, among others some non-profitable foodservice businesses among others. Spain is a bit weak but it's a smaller country, but the others like France, for example, is growing despite a negative industry. That's one of the few countries where frozen food is going backward but despite that we're growing, the business is growing; not only market share, but the business is growing. Then, very interestingly, in that now we have countries like Austria where we have a very, very strong position like 30% market share plus where we currently are growing in a very spectacular way. We mentioned, Samy mentioned that we're taking—we work now with Hofer which is the brand for Aldi in Austria, and that's a big boost for us in terms of additional SKUs. You just have to work differently with these guys, so you work with a more limited assortment. You have to make sure that your margin is comparable to the margins you have with your traditional players, otherwise you're shooting yourself in the foot and we don't want to do that. Once you have achieved this, thanks to the strength of our brand, you know, we can obviously—how this becomes an opportunity for us, so that's good news.

William Chappell:

Okay. That's helpful. Then, looking back to Goodfella's, now that you have owned it for a few months, I think the initial comments were promotions were high from kind of what you were comfortable with and advertising was low, and you were going to at least change the advertising in the near term and hold promotions there. Is that still kind of the case for the next six months as you kind of learn the business and learn how to do with the business? Any other changes in kind of strategy?

Stéfan Descheemaeker:

Actually, it's more a question of weeks, by the way, than months, but this doesn't change anything to what you said, Bill. It's exactly that. The plan, the business plan is exactly what you mentioned. We're going to optimize naturally management so we're going to further invest behind the brand.

William Chappell:

In terms of like the advertising, does that happen immediately this quarter, or does that kind of ramp as we move through the year?

Stéfan Descheemaeker:

No. The answer is we don't need it at this stage. Sales are pretty good, so we just need to prepare ourselves more for let's say end of Q3, something like Q3, Q4, just to have the real impact. We're going to do that in due time. In the meantime, we're working very hard in terms of integration. It's doing well.

William Chappell:

Great. Thanks so much.

Stéfan Descheemaeker:

Thanks, Bill.

Operator:

We'll take our next question from Adam Mizrahi with Berenberg. Please go ahead.

Adam Mizrahi:

Good morning guys. Thank you. I have a quick question for Samy. Samy, I know it's early days for you at Nomad but I'd be interested to hear if there are any areas of the business that you've identified as a priority for you to work on or any opportunities that immediately stand out for you? Thank you.

Samy Zekhout:

Thank you. Thank you very much, Adam. Actually, let me reiterate the fact that I'm extremely excited in joining Nomad. One of the big drivers, if you want, is the frozen food opportunity the category represents. I think I'm coming at a very specific time where this category is now resuming growth, I would say, in many markets, and I think Nomad can definitely create that growth acceleration. I would say also as you think about—one of the things I'm seeing is effectively continued net sales acceleration. I think the Company has done a fabulous job having already at taking the costs down, the cost structure down to (inaudible) and a lot of let's say cost management intervention to A&P. The key point there is effectively to find the further inflection point to, frankly, accelerate growth further to really create the scale that we need to finally deliver the plans we have (inaudible). So, for me, it's about growth acceleration in a very profitable way, and that's the whole idea. These are the opportunities I focusing my attention on these days.

Stéfan Descheemaeker:

The good news, Adam, is basically Samy is coming to the conclusion there are many things that we can improve, which is great news.

Adam Mizrahi:

Great. Thank you.

Operator:

We'll take our next question from John Tanwanteng with CJS Securities. Please go ahead.

John Tanwanteng:

Good morning, gentlemen. Congrats on the quarter and on the outlook as well. My first question, how should we think of the ramp of the Goodfella's EBITDA margin? Should we think of the improvements there as a straight line over two years? Second, what would be the cash costs to realize those synergies and what kind of revenue growth assumptions are you using to get there?

Stéfan Descheemaeker:

Okay. Actually, your point about a straight line, it's never a straight line, as such, but at least it's a regular build-up which is very close to what you said. That's one thing.

Second, you may remember the nature of the synergies will come from two things: one of some indirect costs, that's one thing, but also pre-eminently networking management which doesn't require a lot of restructuring.

So, there will be restructuring, the magnitude of around €15 million, there or thereabouts, but the rest will definitely come in terms of synergy—once we have this, obviously the rest of the synergies will come from networking management, which is good, which is again back to the low organic revenue growth, single digit organic revenue growth.

John Tanwanteng:

Great. Thank you very much.

Stéfan Descheemaeker:

Did it answer your question?

John Tanwanteng:

It did. Thank you.

Stéfan Descheemaeker:

You're welcome.

Operator:

It appears that we do not have any further questions at this time. I will now turn the conference back to Mr. Stéfan Descheemaeker to have any additional closing remarks.

Stéfan Descheemaeker:

Thank you. To conclude, we are off to a strong start to the year with Q1. Our largest quarter of the year now complete. Our strategy continues to drive improved financial results. We're confident in the plans and guidance that we have outlined for the rest of the year and look forward to updating you on our progress when we report second quarter results in August.

Operator:

This concludes today's conference call. Ladies and gentlemen, thank you for your participation. You may now disconnect your lines.