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Overhill Farms Announces Record Net Income and Revenues for Fiscal 2008

**Profit Rises 126% to \$10.3 Million,
on 24% Gain in Revenues to \$238.8 Million**

LOS ANGELES, CA -- (December 12, 2008) - Overhill Farms, Inc. (NYSE Alternext US: [OFI](#)) reported record net revenues of \$238.8 million for fiscal 2008, up \$46.1 million or 24% from the \$192.6 million reported for fiscal 2007.

Net income for the fiscal year ended September 28, 2008 was \$10.3 million (\$0.66 per basic share and \$0.65 per diluted share), an increase of \$5.7 million or 126.2% from the \$4.6 million (\$0.30 per basic share and \$0.29 per diluted share) for fiscal 2007.

The Company reported that operating income for fiscal 2008 increased by 73.2% to \$20.6 million from \$11.9 million for fiscal 2007. The effects of the highly publicized rising food commodity prices were offset by sales gains, and improved productivity.

Gross profit for fiscal 2008 was \$29.3 million, an increase of 46.7% or \$9.4 million from the \$19.9 million reported for fiscal 2007. Gross profit as a percentage of net revenues increased to 12.3% for fiscal 2008, compared to 10.4% for the prior year.

James Rudis, the Company's Chairman, President and Chief Executive Officer, said, "We are very pleased to report our fiscal 2008 results which reflect improvement in virtually all areas of operation. Our ability to attract new business, along with strong performances by our production, procurement, R&D and Quality Control employees, enabled us to do very well under conditions that have been a challenge to companies in our industry."

By customer category, fiscal 2008 net revenues from retail customers increased by \$59.6 million, or 52.1%, to \$174.0 million from the \$114.4 million for fiscal 2007. This increase was largely due to the addition of 24 new private label items for Safeway Inc. and new business from a national brand retail company, both of which were launched during the second quarter of fiscal 2007.

Foodservice net revenues for fiscal 2008, decreased by \$14.4 million, or 24.6%, to \$44.1 million from \$58.5 million for fiscal 2007. This was primarily due to softness in the foodservice industry caused by the slowing economy and the previously announced reduction in volume from one customer. After the close of the 2008 fiscal year, that customer committed to an increase in sales for the 2009 calendar year, Mr. Rudis noted.

Airline net revenues for fiscal 2008 increased by \$1.0 million, or 5.1%, to \$20.7 million from \$19.7 million for the prior fiscal year, primarily due to increases in passenger travel during the early part of fiscal year 2008. Given the airline industry's focus on cutting costs, the Company does not see this as a growth sector.

Net income for the Company's fourth fiscal quarter, ended September 28, 2008, was \$2.4 million (\$0.15 per basic and diluted share), up 140.0% or \$1.4 million from the \$1.0 million (\$0.07 per basic share and \$0.06 per diluted share) in the same period in 2007.

Net revenues for the fourth quarter were \$53.1 million, essentially unchanged from the \$53.0 million for the same period in 2007. The 2008 results included the effect of a \$4.7 million reduction in sales to a foodservice customer. As noted above, that customer has committed to increased purchases in calendar 2009.

Gross profit for the quarter was \$6.5 million, or 12.2% of revenues, up from \$4.9 million or 9.3% of revenues in the same period in 2007.

Because of the Company's increased sales to the retail channel, fourth quarter results also reflect seasonality as compared to the previous quarters of fiscal 2008; retail purchases of frozen foods typically decline in the Summer months, which include the Company's fourth fiscal quarter.

"The economic outlook for 2009 presents both challenges and opportunities," Mr. Rudis said. "We believe we are well positioned to meet those challenges and take advantage of those opportunities, including by changing our customer mix. As a result, at present we anticipate growth in both revenues and profits for 2009," he said.

The Company reported that one of its customers, H.J. Heinz Company, has indicated that they will be self-manufacturing a greater share of their volume requirements. As a result, Heinz expects to move significant volume out of the Company's facilities beginning January 1, 2009. "Overhill projects a revenue reduction from this move of approximately \$19 million for our fiscal year, beginning in our second fiscal quarter," Mr. Rudis said. The Company is currently negotiating with Heinz for new volume and revised pricing for existing and future business.

Offsetting the anticipated Heinz shortfall, Mr. Rudis said, will be \$20 million in new business commitments the Company has received from retail and food service accounts. "This reflects our success in continually developing a pipeline of new business to both expand our revenues and to replace volume that may be lost due to market changes experienced by our customers. We believe our prospects for new business, both near-term and beyond, are strong," he said.

Additionally, said Mr. Rudis, "Our relationship with Safeway is becoming increasingly valuable to us with the continuing success of the Eating Right® line, the roll out of a second product line, and the development of the Better Living Brands product line."

The Eating Right® line of frozen foods, which the Company began producing for Safeway in March of 2007, continues to perform well, Mr. Rudis said. The Company launched a second line of 30 items for Safeway at the end of the fourth quarter of fiscal 2008, that will roll out to all of the grocery chain's locations in fiscal 2009.

Mr. Rudis noted that on November 22, 2008 the Company shipped its first orders under the previously announced alliance with Better Living Brands®, a Safeway affiliate.

Despite the upheaval in the credit markets, Mr. Rudis said, the Company's strong performance has provided cash and financial liquidity that the Company believes is adequate to fund its current working capital needs and future growth initiatives. Financing, at favorable interest rates, is in place into 2011, he noted, and the Company has an available revolving line of credit of \$7.5 million, which it believes is adequate to meet immediate requirements. The Company expects to make a \$3.6 million prepayment on its Tranche A debt prior to calendar year-end, and intends to reduce its debt with regularly scheduled principal reduction payments and additional voluntary prepayments as liquidity and loan agreements allow.

Overhill Farms is a value-added supplier of custom high quality frozen foods to foodservice and retail customers.

This news release contains disclosures that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations or beliefs and include, but are not limited to, statements about the Company's operations and financial performance and condition and statements regarding expectations of continued or increased sales, revenues, profitability, production efficiencies and expansions, cash flows and growth, likelihood that other existing and new retail customers and foodservice opportunities will compensate for anticipated lost sales, ability to obtain favorable long-term purchase commitments for raw materials, decreasing airline sales, and anticipated amounts and timing of growth in the Company's customer base and business in the foodservice and retail market sectors. For this purpose, statements of historical fact may be deemed to be forward-looking statements. In addition, forward-looking statements include statements in which the company uses words such as "continue," "efforts," "expect," "believe," "anticipate," "confident," "intend," "strategy," "plan," "will," "estimate," "project," "goal," "target," "prospects," "optimistic" or similar expressions. These statements by their nature involve risks and uncertainties, and actual results may differ materially depending on a variety of important factors, including, among others: the Company's ability to meet its customers' production expectations; the Company's ability to achieve production efficiencies and expand its production capacity as and when required; the Company's ability to meet its obligations under its financing arrangements; the impact of competitive products and pricing; market conditions, seasonality, weather patterns and the level and availability of long-term purchase commitments that may affect the cost of raw materials as well as the market for the company's products; changes in the Company's business environment, including actions of competitors and changes in customer preferences; customers' ability and willingness to pay for products and meet their own contractual and other obligations under their agreements with and commitments to the Company; customers' decisions regarding the timing and volume of shifts in production volume to other vendors; acts of terrorism or acts of war; changes in governmental laws and regulations, including income taxes; the Company's ability to continue to maintain compliance with financial reporting and internal control requirements; market and customer demand for new and existing products; and other factors as may be discussed in the Company's Annual Report on Form 10-K for the fiscal year ended September 28, 2008, and other reports filed with the Securities and Exchange Commission.

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OVERHILL FARMS, INC.
CONDENSED STATEMENTS OF INCOME

	For the Fiscal Year Ended	
	September 28, 2008	September 30, 2007
Net revenues	\$ 238,780,014	\$ 192,641,574
Cost of sales	209,516,642	172,693,668
Gross Profit	29,263,372	19,947,906
Selling, general and administrative expenses	8,647,533	8,047,433
Operating income	20,615,839	11,900,473
Total interest expense	(3,706,057)	(4,366,411)
Other income (expense)	42,964	(22,841)
Income before income taxes	16,952,746	7,511,221
Income tax expense	6,631,442	2,948,760
Net income	<u>\$ 10,321,304</u>	<u>\$ 4,562,461</u>
Net income per share – basic	<u>\$0.66</u>	<u>\$0.30</u>
Net income per share – diluted	<u>\$0.65</u>	<u>\$0.29</u>
Shares used in computing net income per share, basic	15,747,434	15,338,038
Weighted average shares outstanding	15,992,467	15,803,109

OVERHILL FARMS, INC.
CONDENSED STATEMENTS OF INCOME

For the Three Months Ended

	September 28, 2008	September 30, 2007
Net revenues	\$ 53,083,027	\$ 52,994,834
Cost of sales	46,628,916	48,089,951
Gross profit	6,454,111	4,904,883
Selling, general and administrative expenses	2,154,524	2,271,583
Operating income	4,299,587	2,633,300
Total interest expense	(797,312)	(1,000,336)
Other income (expense)	55,378	(16,198)
Income before income taxes	3,557,653	1,616,766
Income tax expense	1,140,200	585,752
Net income	\$ 2,417,453	\$ 1,031,014
Net income per share – basic	\$0.15	\$0.07
Net income per share – diluted	\$0.15	\$0.06
Shares used in computing net income per share, basic	15,823,271	15,425,827
Weighted average shares outstanding	16,073,536	15,868,082

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