



A multibrand company

Q1 2020 RESULTS
MAY 14TH 2020

DISCLAIMER

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Statement

Rocco Sergi, the Manager responsible for preparing the corporate accounting documents, declares that, pursuant to art. 154-bis, paragraph 2, of the Legislative Decree no. 58 of February 24, 1998, the accounting information contained herein correspond to document results, books and accounting records.

Q1 2020 KEY FINANCIAL HIGHLIGHTS

REVENUES

€80.3m, +12.4% vs Q1 2019

- with strong growth in *all main BUs*
- revenues from foreign countries accounts for approx. 50%
- Organic growth **6.8%**

EBIT

€3.3m vs. €2.0m Q1 2019, +63%

with good profitability in all BUs

driven by an increase in sales volumes and improvements in supply chain efficiencies

CASH CONVERSION

90% vs 90.6% in Q1 2019

strong cash conversion ⁽¹⁾ enabling Newlat to deleverage.

EBITDA

Adj. EBITDA €6.9m, +26.2% vs Q1 2019

Adj. EBITDA margin 8.6% vs 7.6% Q1 2019

(EBITDA €6.7m, + 26.8% YoY)

with high double-digit margins in dairy, bakery and special products as well as an overall increase in margins in all BUs

NET INCOME

€2.3 m, +92.2% vs €1.2 m Q1 2019

net income margin increased to 2.9% vs 1.7% Q1 2019

NET FINANCIAL POSITION

NFP equal to positive €52m vs positive €48.6m FY2019

Excluding the effect of *IFRS 16 lease liabilities*, NFP would have been positive by € 68.6 million.

REVENUES AND COSTS IN CONSTANT IMPROVEMENT

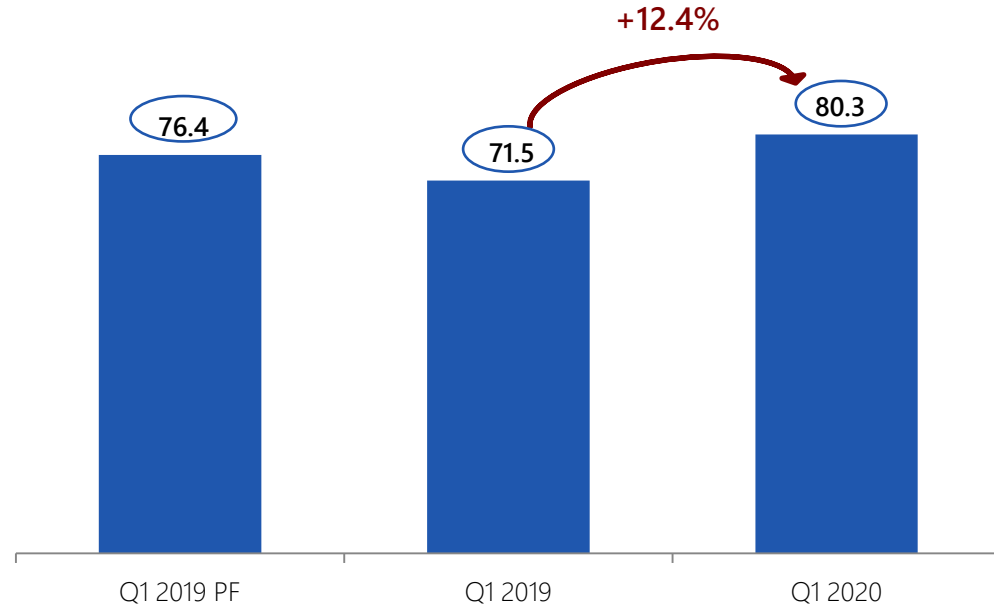
Despite the Covid-19 emergency, the first quarter of 2020 saw extremely positive results, with an **increase in sales in all business units and geographies**.

The company's consolidated revenues in Q1 amounted to **€ 80.3 million, up 12.4%** compared to Q1 2019.

For the sake of consistency with previous presentations, Q1 2019 proforma revenues* are also reported – Q1 2020 revenues increased by 5.2% vs. 2019 proforma revenues.

Cost of goods sold for the period was equal to **83.3%** of sales as opposed to 84.8% in Q1 2019, this was mainly driven by a better procurement policy.

Q1 Revenues (€m)



*2019 Proforma figures include:

- i. acquisition of 100% of Delverde Industrie Alimentari S.p.A;
- ii. acquisition of 100% of Newlat Deutschland from Newlat Group SA.

REVENUE BREAKDOWN BY BUSINESS UNIT

- **Pasta** confirms to be Newlat's **main business unit** in terms of sales volumes with a share of 46.9%.

- Revenues relating to the **pasta** segment show an increase of **19.6%**; net of the Delverde contribution, organic growth is equal to **6.8%**, mainly due to an increase in sales volumes in the German market and in other countries.

- **Milk products** revenues increased by **7.1%**, mainly due to an increase in sales volumes.

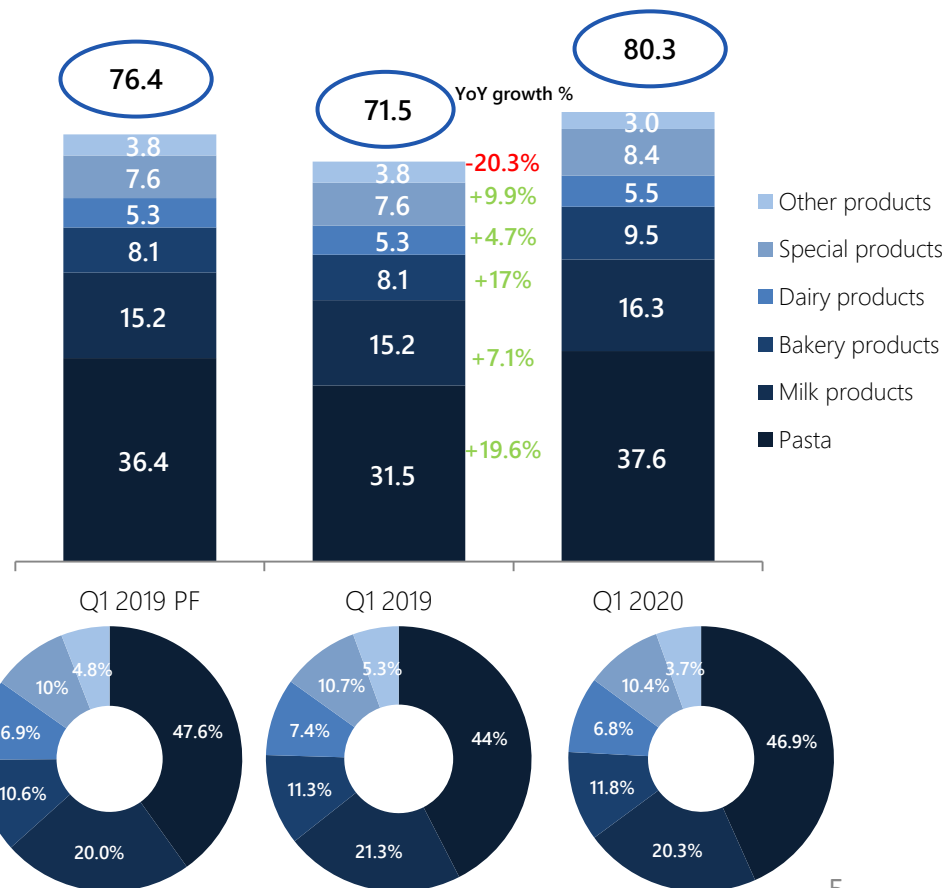
- Revenues relating to the **Bakery products** segment recorded a significant increase compared to the same period of the previous year (+ **17%**) due to the higher sales volumes recorded especially in Italy.

- **Dairy products** went up **4.7%**, mainly due to the increase in mascarpone sales.

- **Special Products** sales increased by **9.9%** mainly due to the renegotiation of price lists with Kraft-Heinz, as well as the consequence of the increase in sales volumes.

- **Other products** sales decreased by **-20.3%** compared to the same period of the previous year as a consequence of a reduction in sales volumes in the food service and normal trade sector as a result of COVID- 19. The marginality, however, results in line with an increasing EBIDA Margin.

Revenue Breakdown (€m)



REVENUE BREAKDOWN BY DISTRIBUTION CHANNEL

- Revenues from the **large-scale retail distribution** channel went up **19.8%** mainly due to the organic growth recorded in all segments and also thanks to the Delverde contribution.

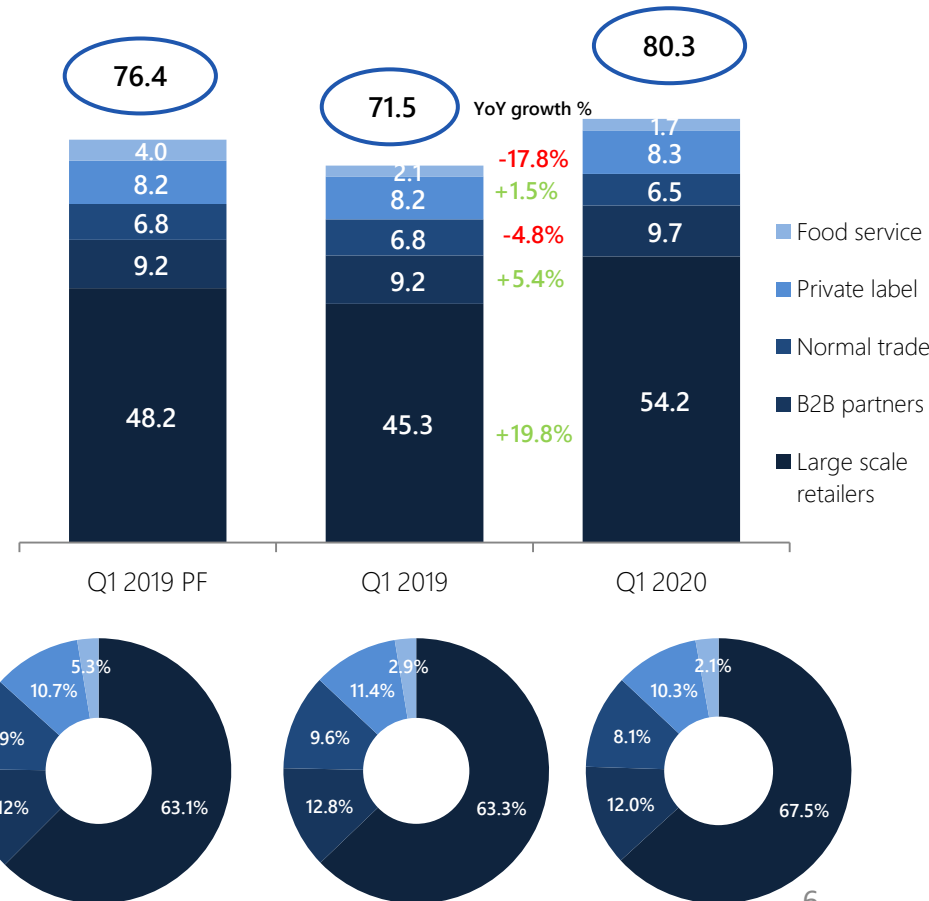
- Revenues related to the **B2B partners** channel increased by **5.4%** as a consequence of an increase in sales volumes.

- The revenues from the **Normal trade** channel decreased by **4.8%** mainly as a result of the decrease in sales volumes of the "Other Products" category as a consequence of COVID-19.

- Revenues relating to the **private label** channel recorded an increase of **1.5%** compared to the same period of the previous year.

- Food Service** sales decreased by **17.8%** compared to the same period of the previous year as an effect of the industry lockdown all throughout March 2020.

Revenue Breakdown (€m)



REVENUE BREAKDOWN BY GEOGRAPHY

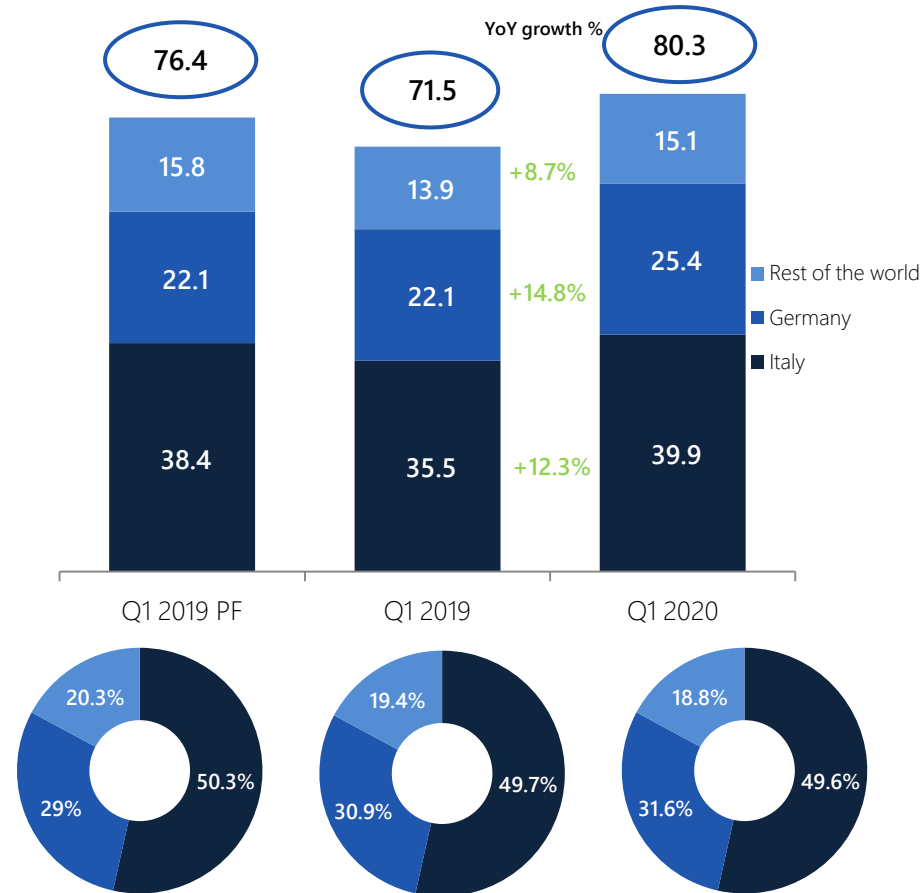
- Revenue distribution by geography remains substantially the same between the two periods. The domestic market accounts for 49.6% of sales, Germany 31.6%, while the rest of the world represents 18.8% of sales.

- Revenues in **Italy** increase by **12.3%** mainly due to the organic growth in the *milk, dairy and bakery* sectors and the contribution of Delverde.

- Revenues in **Germany** are the best performing area in the Group, and were up **14.8%** due to the higher sales volumes in the *pasta* segment.

- Revenues relating to **Other countries** increased by **8.7%** in the periods under examination due to organic growth in all segments.

Revenue Breakdown (€m)



EBITDA BREAKDOWN BY BUSINESS UNIT

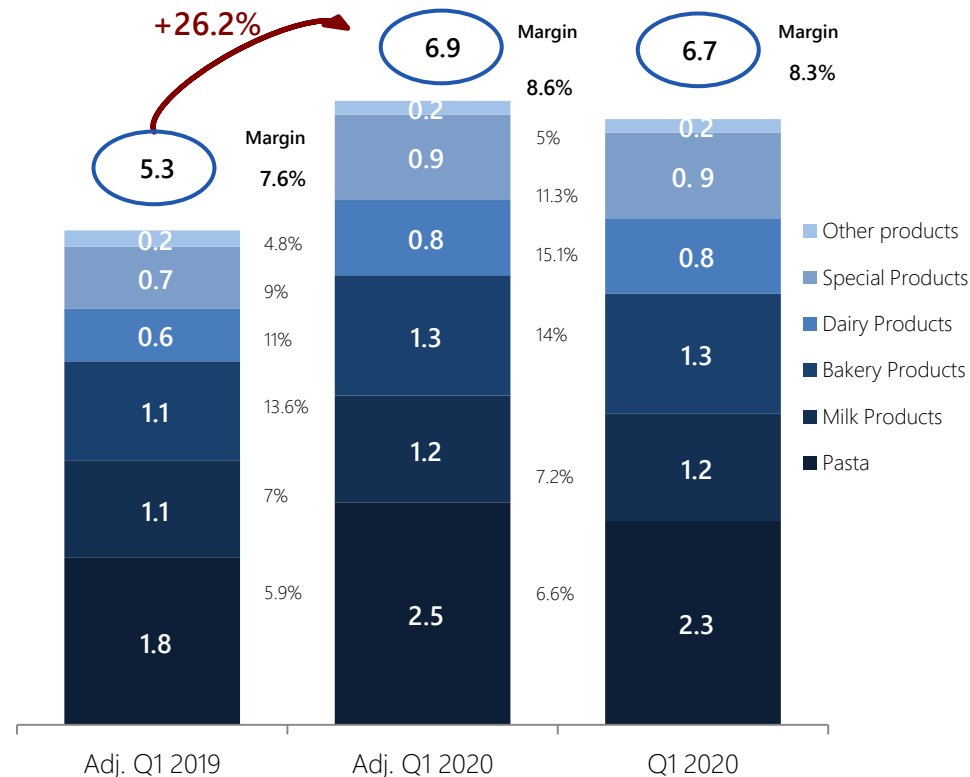
EBITDA went up **26.8%** and reached **€6.7m** versus €5.3m in Q1 2019. EBITDA margin was equal to **8.3%**, up 0.9% compared to Q1 2019.

Adjusted EBITDA was equal to **€6.9m**, up **26.2%**, with an adj. EBITDA margin of **8.6%**.

All Business Units recorded an improvement in Adj. EBITDA margin:

- **Bakery, dairy** and **special products** confirm their high profitability, displaying an exceptional increase, with double-digit margins in all three segments, respectively **14%**, **15.1%** and **11.3%**.
- **Pasta** records a margin of **6.6%** as vs. 5.9% in Q1 2019.
- **Dairy products'** profitability is the highest at 15.1%, this is thanks to higher sales volumes of higher-margin products and better raw material costs.
- **Milk products'** profitability rose to **7.2%** thanks to a lower promotional activity.
- **Special products'** profitability also recorded double-digit margins of **11.3%** in the period thanks to new contracts and price renegotiations of existing contracts.

EBITDA breakdown by business unit (€m)



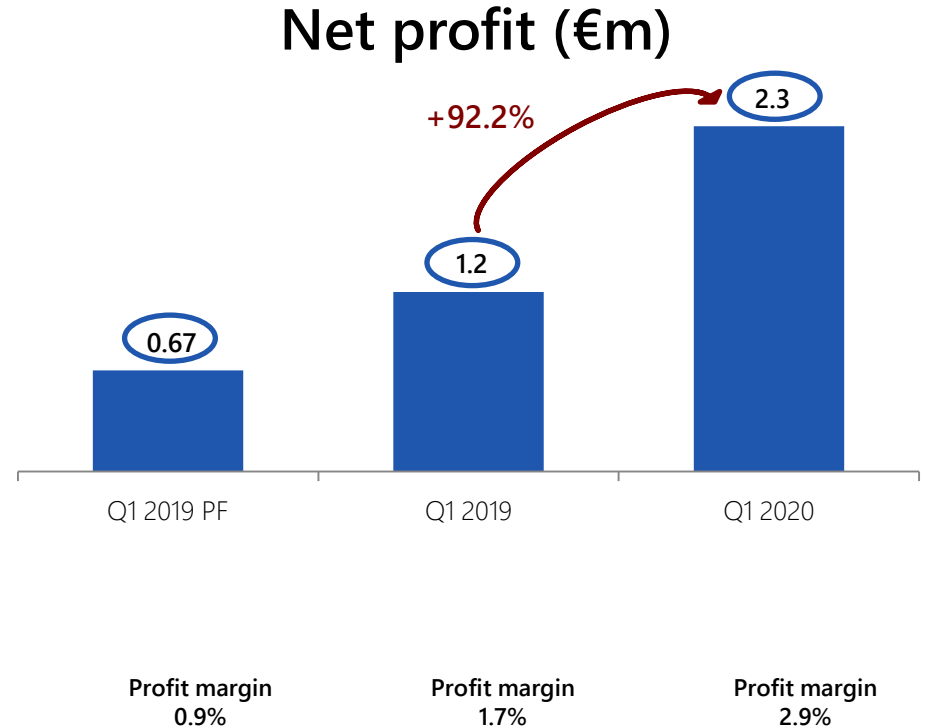
HIGH DOUBLE DIGIT NET PROFIT GROWTH

Net profit increased by **92.2%** compared to Q1 2019, reaching **€2.3 million**. If we compare Q1 2020 results to the Q1 2019 proforma net profit, the figure shows an increase of **242%**.

This reflects the positive effects of the cost optimisation processes that Delverde underwent after its acquisition on 9 April 2019.

The factor that contributed the most to the improvement was the increase in overall profitability thanks to supply chain efficiencies and a better balanced mix contribution.

In fact, profitability visibly improved and reached **2.9%** vs 1.7% in Q1 2019.

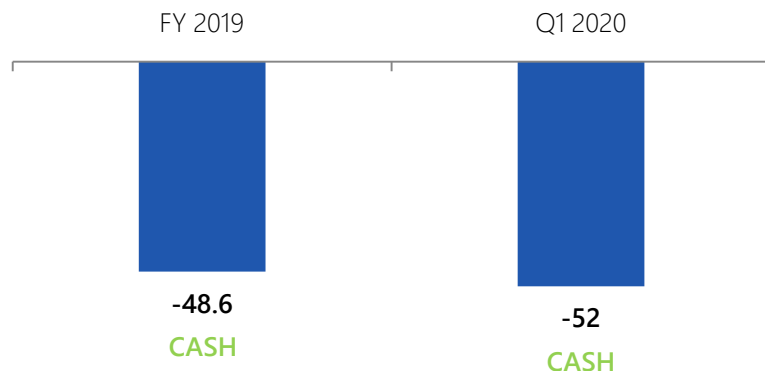


NET FINANCIAL POSITION EVOLUTION AND CASH CONVERSION

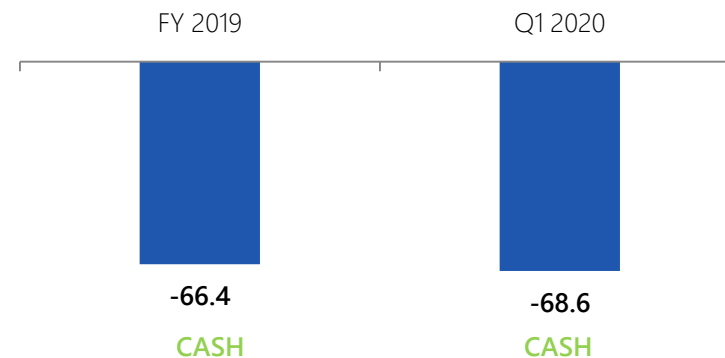
NFP continues its constant improvement compared to 2019. As at 31 March 2020, the Company had positive cash by **€52 million** as opposed to €48.6 million in 2019 thanks to its free cash flow generation and the excellent performance of the first quarter.

Excluding IFRS 16 lease liabilities, Newlat's NFP would be positive by **€68.6 million** vs €66.4 million at 31 December 2019.

NFP including IFRS 16 lease liabilities (€m)



NFP excluding IFRS 16 lease liabilities (€m)



- Cash conversion in Q1 2020 was equal to **90%** vs. 90.6% in 2019.

(In € million and in %)	Q1 2019	Q1 2020
EBITDA (*) (A)	5.27	6.68
Capex (B)	(0.49)	(0.67)
Cash generation	4.78	6.01
Cash conversion [(A)-(B)]/(A)	90.6%	90%

1Q 2020 Pro-forma Income Statement – CLI

Organic growth

CLI organic growth was **8%** vs. Q1 2019 with revenues of ca. **€ 47 million**, bringing combined revenues to **€127.3m**.

Marginality

CLI shows impressive improvements in margins. This is mainly attributable to a good positioning of its brands and better mix contribution.

CLI **EBITDA margin** improves from 2.2% to **9.4%**. This is before the implementation of any synergies with Newlat (i.e., cost efficiencies + business aggregation of subsidiaries Centrale del Latte della Toscana and Centrale del Latte di Vicenza). Combined Adj. EBITDA margin is **8.9%**.

	Newlat Food	CLI	Combined PF	Newlat Food	CLI	Combined PF
<i>(In € million and in %)</i>	1Q PF 19	1Q 19	1Q19	1Q20	1Q20	1Q20
Revenues	76.37	43.49	119.86	80.34	46.98	127.32
<i>YoY growth</i>	<i>n.m.</i>	<i>n.m.</i>		5.2%	8.0%	6.2%
Organic Growth	n.m.	n.m.		6.8%	8.0%	7.3%
<i>M&A Others</i>	<i>n.m.</i>	<i>n.m.</i>		-1.6%	0.0%	-1.0%
Adj. EBITDA	5.34	0.96	6.30	6.90	4.40	11.30
<i>YoY growth</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	29,3%	356.9%	79.4%
margin	7.0%	2.2%	5.3%	8.3%	9.4%	8.9%
D&A	3.61	2.06	5.67	3.40	2.73	6.13
EBiT	1.73	-1.10	0.63	3.29	1.67	4.96
<i>margin</i>	2.3%	<i>n.m.</i>	<i>n.m.</i>	4.1%	3.6%	3.9%
Financials	-0.25	-0.34	-0.6	-0.09	-0.53	-0.63
PBT	1.47	-1.44	0.035	3.19	1.14	4.33
Tax rate	54.3%	27.80%		27.8%	27.8%	27.8%
Tax	-0.8	0.40		-0.89	-0.32	-1.20
Net Income	0.67	-1.04	-0.365	2.31	0.82	3.13
<i>YoY growth</i>	<i>n.m.</i>	<i>n.m.</i>		242.6%	<i>n.m.</i>	<i>n.m.</i>

Norm. Free cash flow generation enabling CLI to deleverage without Newlat's support

The overall improvement in performance of CLI is also proven in its ability to generate free cash flow. Normalised free cash flow* for Q1 2020 is equal to **€ 2.50 m**, thus giving an indication that CLI is able to deleverage on a stand-alone basis without the intervention of Newlat Food. The combined entity gives a **normalised FCF of € 7.31 m** and a norm. FCF as a percentage of EBITDA of **65.9%**.

	Newlat Food		CLI		Combined PF
<i>(In € million and in %)</i>	1Q 19	1Q 19	1Q20	1Q20	1Q20
Operating Cash Flow	5.05	0.20	6.69	3.87	10.56
ΔWC	1.57	-1.20	-2.06	-3.18	-5.25
Leasing repayments	-1.60	-0.65	-1.20	-0.65	-1.85
CAPEX	-0.50	-2.90	-0.68	-0.72	-1.40
FCFF	4.52	-4.55	2.75	-0.69	2.06
Norm. FCF	4.52	-4.55	4.81	2.50	7.31
	31/12/2019		31/03/2019		
Net Debt	-48.60	77.29	-52.00	76.78	24.78
FCFF % of EBITDA	84.8%	n.m.	41,2%	n.m.	18.6%
Norm. FCF % EBITDA	84.8%	n.m	72.0%	56.8%	65.9%

*The normalisation of FCF is linked to a normalisation of the impact of working capital on turnover, in line with the typical Newlat levels. It is calculated as FCFF-ΔWC

Appendix

INCOME STATEMENT

<i>(In € thousand)</i>	Ended 31 March	
	2020	2019
Revenue from clients' contracts	80,339	71,475
Cost of goods sold	(66,446)	(60,576)
Gross margin	13,893	10,899
Sales and distribution expenses	(6,785)	(6,260)
Administrative expenses	(4,092)	(3,091)
Net write-offs of financial activities	(350)	(220)
Other income and revenues	1,449	1,304
Other operating costs	(830)	(616)
EBIT	3,285	2,016
Financial income	192	227
Financial expenses	(284)	(339)
EBT	3,193	1,904
Taxes	(887)	(704)
Net income	2,306	1,200
EPS	0.06	0.04
Diluted EPS	0.06	0.04
EBITDA	6,685	5,271

BALANCE SHEET

<i>(In € thousand)</i>	As at 31 March		As at 31 December		<i>(In € thousand)</i>	As at 31 March		As at 31 December	
	2020	2019	2020	2019		2020	2019	2020	2019
Non-current assets					Equity				
Property, plant and equipment	30,806	31,799	Share capital	40,780	40,780				
Right of use assets	16,218	17,326	Reserves	50,669	40,454				
Intangible assets	24,983	25,217	Net income	2,306	10,311				
Non-current financial assets valued at fair value with impact on I/S	42	42	Total Equity	93,754	91,545				
Financial assets stated at amortized cost	806	866	Non-current liabilities						
Deferred tax assets	4,629	5,034	Provisions for employees	10,549	10,646				
Total non-current assets	77,484	80,284	Provisions for risks and charges	1,425	1,396				
Current assets			Deferred tax liabilities	3,823	3,850				
Inventory	25,754	25,880	Non-current financial liabilities	21,623	12,000				
Account receivables	50,385	49,274	Non-current lease liabilities	11,744	13,032				
Current tax assets	716	716	Other non-current liabilities	600	600				
Other receivables and current assets	3,443	4,701	Total non-current liabilities	49,764	41,524				
Current financial assets valued at fair value with impact on I/S	4	4	Current liabilities						
Cash and cash equivalents	101,390	100,884	Account payables	82,968	85,592				
Total current assets	181,691	181,459	Current financial liabilities	11,130	22,456				
TOTAL ASSETS	259,176	261,743	Current lease liabilities	4,904	4,776				
			Current tax liabilities	977	471				
			Other current liabilities	15,678	15,379				
			Total current liabilities	115,657	128,674				
			TOTAL EQUITY AND LIABILITIES	259,176	261,743				

CASH FLOW STATEMENT

(In €m)	As at 31 March		(In €m)	As at 31 March	
	2020	2019		2020	2019
Earnings before tax	3.19	1.90	Investments in PPE	(0.61)	(0.48)
- Adjustments:			Investments in intangible assets	(0.07)	(0.01)
Depreciation and amortisation	3.40	3.25	Cash flow from investing activities	(0.68)	(0.5)
Financial expenses/(income)	0.1	(0.11)	Proceeds from long-term debt	15	3.59
Cash flow from operating activities before changes in NWC	6.69	5.05	Repayment of long-term debt	(16.7)	(1.78)
Change in inventory	0.13	(3.15)	Repayments of lease liabilities	(1.2)	(1.6)
Change in account receivables	(1.46)	14.23	Net interest paid	(0.1)	0.11
Change in account payables	(2.62)	(12.05)	Cash flow from financing activities	(3.0)	0.33
Change in other assets and liabilities	1.62	3.38	Net change in cash and cash equivalents	0.51	6.46
Use of provisions for risks and charges and employees	(0.07)	(0.34)	Cash and cash equivalents at the beginning of the period	100.88	61.79
Tax paid	(0.10)	(0.48)	Total net change in cash and cash equivalents	0.51	6.46
Cash flow from operating activities	4.18	6.62	Cash and cash equivalents at the end of the period	101.39	68.25



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INVESTOR RELATIONS CONTACTS

Benedetta Mastrolia

Tel: +390522790450

Mob: +393319559164

investors@newlat.com