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Oggetto : 1H 2020 - Newlat Food presentation

<i>Testo del comunicato</i>

Vedi allegato.



A multibrand company

FIRST-HALF 2020 RESULTS

7 SEPTEMBER 2020

DISCLAIMER



This presentation might contain certain forward-looking statements that reflect the Company's management's current views with respect to future events and financial and operational performance of the Company and its subsidiaries. These forward-looking statements are based on Newlat Food S.p.A.'s current expectations and projections about future events.

Any reference to past performance of Newlat Food shall not be taken as a representation or indication that such performance will continue in the future.

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Newlat's securities referred to in this document have not been and will not be registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

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.

1H 2020 FINANCIAL STATEMENTS

- On 31 March 2020, Newlat Food acquired a majority stake (**47.6%**) in Centrale del Latte d'Italia.
- Following the acquisition, all 1H 2020 figures will be presented on an **aggregate basis** – including CLI for the full year – unless otherwise stated.
- The figures as at 30 June 2020 as well as the comparative data as at 30 June 2019 include both the balances of **Newlat Deutschland GmbH** and **Centrale del Latte d'Italia** to facilitate understanding and analysis of the Group's overall business performance.
- After closing, on 24 July 2020 Newlat reached an overall stake of **67.6%** in CLI.



1H 2020 KEY FINANCIAL HIGHLIGHTS

AGGREGATE REVENUES

€255.4m, +5.5% vs. 1H 2019

with double digit growth in *pasta*, *bakery* and *special* products
with CLI acquisition, Italy accounts for 69.2%
Organic growth +3.5%

EBITDA

Adj. EBITDA €23.5m, +64.8% vs. 1H 2019

EBITDA margin 9.2% vs. 5.9% 1H 2019

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

FREE CASH FLOW

FCF was € 17.6 million. EBITDA FCF conversion **75.0%**,
confirming the Company's ability to generate free cash flow.

NET INCOME

Adj. NI €6.9 m vs. -€920k in 1H 2019

Reported Net Income equal to € 26.2 million as a result of €19.3 million negative goodwill .

NET FINANCIAL POSITION

Aggregate NFP equal to -€17.7m vs. -€35.3m in FY 2019 PF

Improvement of ca. €17.7 million, thanks to a good half year performance and the Group's ability to generate cash from operations. Excluding IFRS 16 lease liabilities, NFP is positive by € 1.7 million.

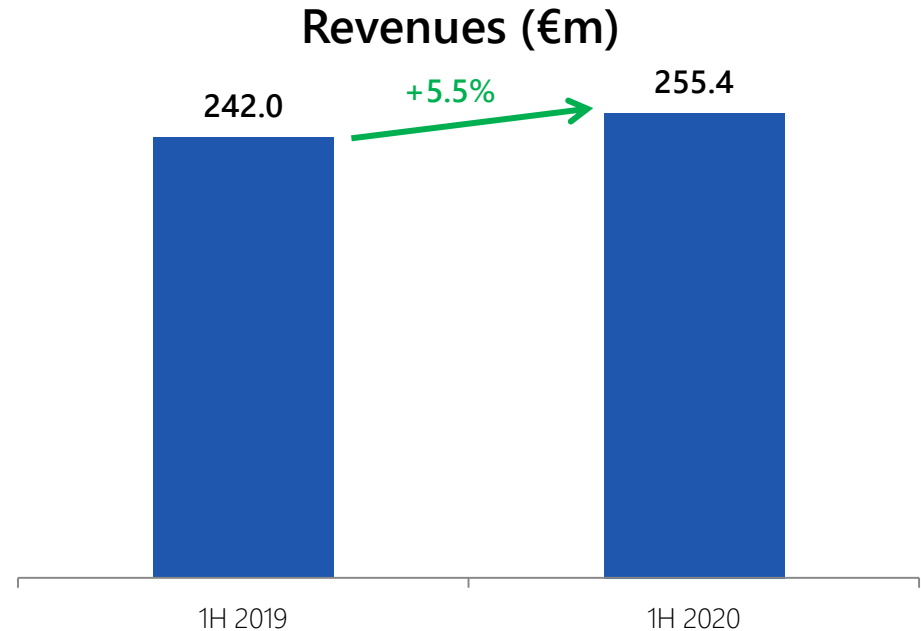
REVENUES AND COSTS IN CONSTANT IMPROVEMENT

The first 6 months of 2020 had a positive impact on sales, with an **increase of 5.5%** compared to 1H 2019. The second quarter of 2020 saw a slowdown particularly in June, which only partially offsets the spike in sales recorded in 1Q 2020.

The 2Q slowdown was impacted by **retailers' attempt to normalise NWC** after a sudden increase in inventory and outstanding orders as lockdown was lifted throughout Europe.

After closing of the period, the month of **July and August were particularly strong (+6%)** with an overall increase YoY on all the main business units.

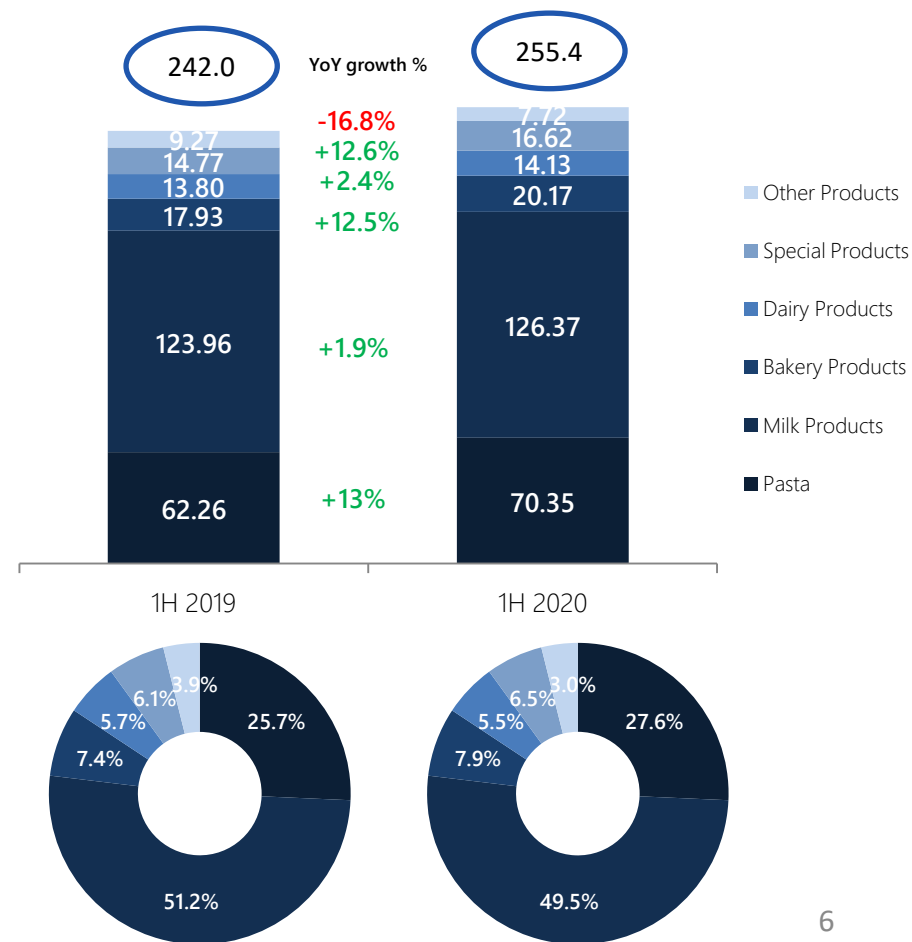
Cost of goods sold was equal to **78.1%** of sales as opposed to 80.3% in 1H 2019, this was mainly driven by a more aggressive procurement policy of raw materials and finished products.



REVENUE BREAKDOWN BY BUSINESS UNIT

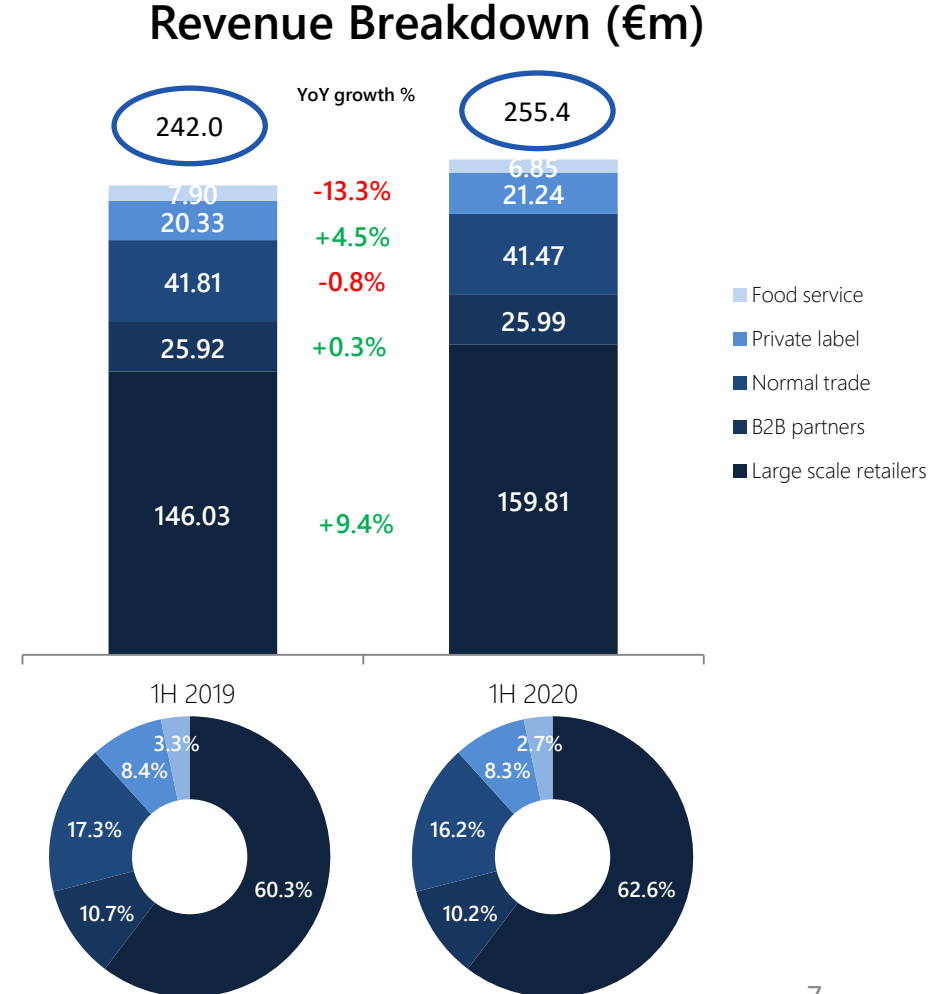
- **Pasta** becomes Newlat's **second-largest business unit** in terms of sales after the CLI acquisition, with a share of 27.6%.
- Revenues related to the *pasta business unit* show an increase of **13%** due to an increase of pasta consumption as a result of lockdown, and also partially due to the Delverde contribution.
- Revenues related to the *milk products* segment increase by **1.9%** thanks to both volume and price increases.
- **Bakery products** increase by **12.5%** thanks to higher sales volumes.
- Revenues related to the *dairy products* increase by **2.4%** in the period.
- Revenues related to the *special products* segment increased by **12.6%** as a result of price renegotiations with Kraft-Heinz, as well as the entry of new customers.
- Revenues from the *other products* decrease as these are mainly linked to the food service and normal trade channels, which were impacted by the COVID-19.

Revenue Breakdown (€m)



REVENUE BREAKDOWN BY DISTRIBUTION CHANNEL

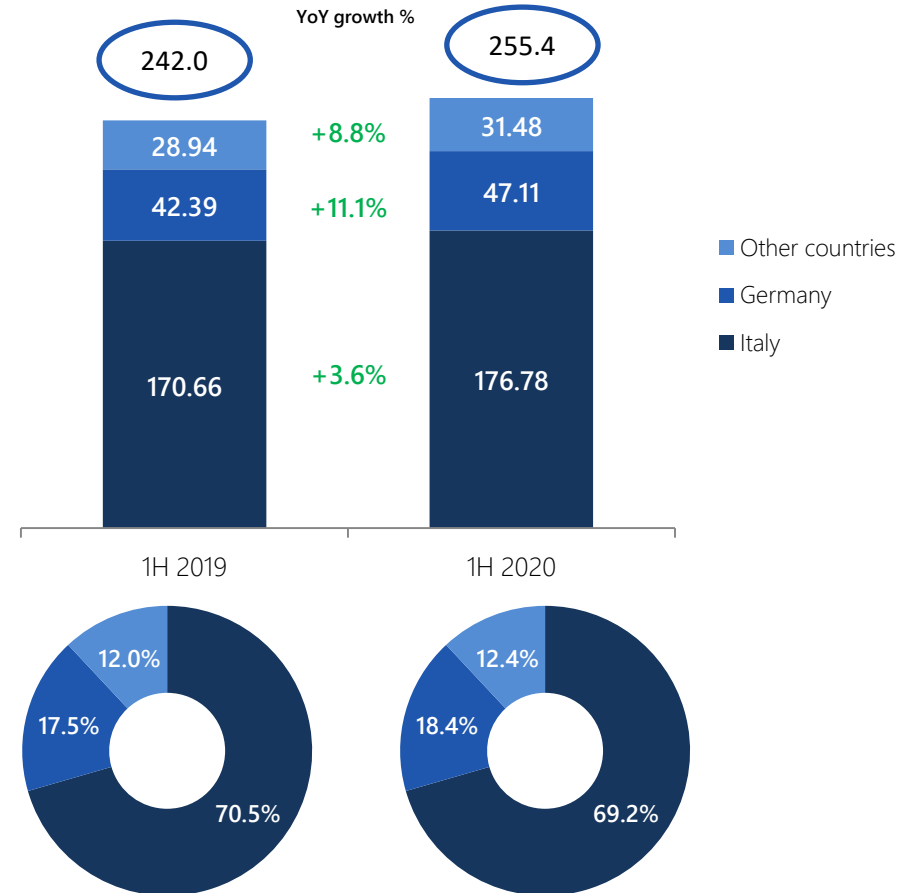
- Revenues related to the **large-scale retail distribution** channel increased by **9.4%** due to an overall increase in sales.
- The revenues from the **B2B partners** channel remains substantially unchanged.
- Revenues related to the **normal trade** channel decrease slightly.
- Revenues related to the **private label** channel increase thanks to new contracts and more sales volumes.
- Revenues related to the **food service** channel decreased as a result of the COVID-19 impact on restaurants and out-of-home eating.



REVENUE BREAKDOWN BY GEOGRAPHY

- With the acquisition of CLI, Italy now reaches a share of almost 70%. Germany remains the second market with a share of over 18%.
- Revenues related to **Italy** went up mainly due an overall increase in sales volumes.
- Revenues related to **Germany** increased the most, by 11.1%, especially thanks to an increase in the pasta sales. After closing, Germany registered an exceptionally good trend in **July**, with a record high increase in pasta sales of over **80%** on an YoY basis.
- Revenues related to **Other Countries** increased in the periods thanks to an increase in pasta consumption worldwide.

Revenue Breakdown (€ m)



EBITDA BREAKDOWN BY BUSINESS UNIT

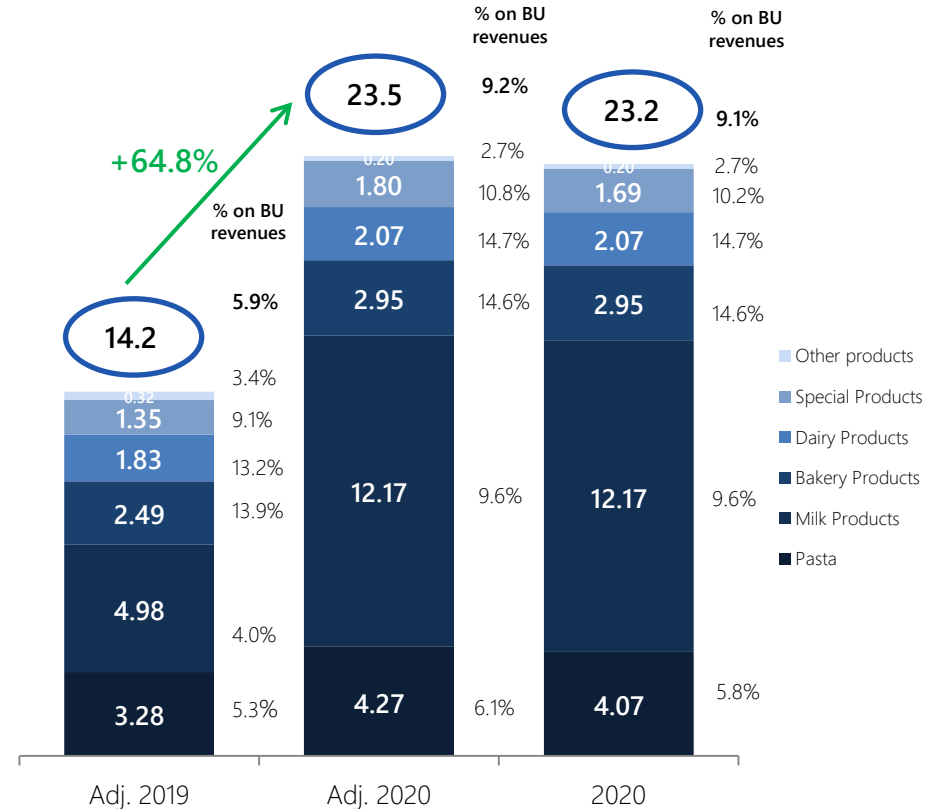
Adj. EBITDA went up to **€23.5m** in 1H 2020, an increase of **64.8%** versus 1H2019. EBITDA margin reached high single-digit **9.2%**, compared to 5.9% in 1H2019.

This trend is in line with the company's goal to reach **double-digit EBITDA margin in the next years.**

The Group's **quick implementation in 2Q 2020 of synergies** between Newlat Food and CLI is shown in such good performance, which is evident in the more-than-double increase in the milk segment EBITDA margin, from 4% to **9.6%**.

- Particularly remarkable are the **Bakery, dairy and special products EBITDA margin improvements**, which confirm the Company's ability to optimise costs and increase prices thanks to its unique product offering.

1H EBITDA Breakdown (€m)



EBIT AND NET PROFIT BREAKDOWN

EBIT and **Net Income** were positively impacted by **€19.3 million of negative goodwill** arising from the CLI acquisition.

EBIT, excluding negative goodwill, amounted to **€ 11.2 million** (4.4% of sales) compared to € 1.8 million at 30 June 2019 (0.7% of sales) growing **522%**.

Effective tax rate for the period was **26.7%**.

Net profit for the period was **€26.2m**. Excluding badwill, **adjusted net profit** was **€ 6.9 million** as opposed to a loss of € 920 thousand at 30 June 2019.

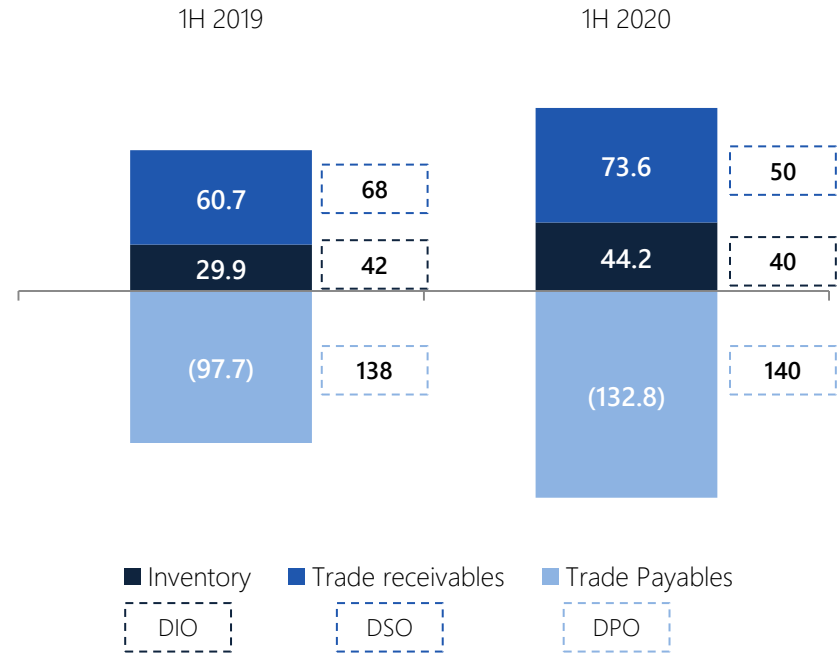
Following the acquisition of CLI, Net Income is subject to **non-controlling interest**, equal to € 1.13 million.

In the first half of the year, the minorities are equal to 52.43%, while after the successful closure of the PTO in July, the minorities are equal to **32.4%**. On this basis, we expect a lower impact of minorities in the second half of the year.

(In € thousand)	Ended 30 June	
	2019	2020
Revenues from clients' contracts	241,989	255,363
Cost of goods sold	(194,277)	(199,517)
Gross margin	47,712	55,845
Sales and distribution expenses	(33,541)	(31,306)
Administrative expenses	(13,386)	(14,472)
Net write-offs of financial activities	(1,223)	(696)
Other income and revenues	4,722	5,125
Profits arising from business combination	-	19,271
Other operating costs	(2,469)	(3,320)
EBIT	1,815	30,448
Financial income	605	313
Financial expenses	(1,933)	(1,618)
EBT	486	29,143
Taxes	(1,406)	(2,978)
Net Income	(920)	26,165
Less Net Income attributable to non-controlling interest	(1,714)	1,132
Group Net Income	795	25,033

OPTIMISATION OF NWC and CCC

- Constant improvement of DSO (50 days vs. 68 days in 1H 2019) and DPO (140 vs. 138 days in 1H2019) thanks to strong focus on client portfolio and the strong relationship built in the past years with key accounts. DIO also improved as inventory turnover went up to 9.1 vs. 8.6 in 1H 2019.
- Inventories** went up significantly as raw material price decrease allowed for opportunity to produce more long-shelf life products.
- NWC** equal to **€(26.9)m** vs. €(21.4)m in 1H2019.



In € millions	H1 2019	1H 2020
Inventory	29.9	44.2
Trade Receivables	60.7	73.6
Trade Payables	(97.7)	(132.8)
NTWC	(7.1)	(15.0)
Other current assets	5.1	14.8
Other current liabilities	(19.4)	(26.7)
NWC	(21.4)	(26.9)

FREE CASH FLOW

The Cash Flow Statement of the Company generally confirms a continuation in the **strong cash conversion** ability already visible in previous results.

In particular, we highlight the significant contribution of CLI to cash generation: it is evident that **CLI is now able to convert economic results into cash** and that it will be able to initiate a **deleveraging process on a standalone basis** (FCF € 7.8 million; 81.3% EBITDA FCF conversion)

Consolidated FCF was equal to € 17.6 million, with an **EBITDA FCF conversion rate of 75.0%** at Group level.

CASH FLOW STATEMENT €mn	Newlat Food (*)	C.L.I. stand alone	Newlat F. stand alone
	1H 2020	1H 2020	1H 2020
Adj. EBITDA	23.5	9.7	13.8
Net Interest costs	-0.8	-0.7	0.0
Δ NWC	5.4	3.3	2.1
TAX & Others	-2.9	0.0	-2.9
Other	-0.6	-1.5	
(A) Cash flow from operating activities	24.6	10.7	13.9
Capex	-3.5	-2.0	-1.5
Proceeds from sale of property	0.0	0.0	0.0
IFRS16 CAPEX	-3.5	-0.9	-2.7
Acquisition of businesses	-6.6	0.0	-6.6
(B) Cash flow from investing activities	-13.6	-2.8	-10.7
Other financial revenues (costs)	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0
IFRS16 lease liabilities	0.0	0.0	0.0
Proceeds from cap increase	0.0	0.0	0.0
Other items including exceptional	0.0	0.0	0.0
(C) Cash flow from financing activities	0.0	0.0	0.0
NFP at December 31st 2019	-28.7	-77.3	48.5
Change in NFP (A+B+C)	11.0	7.9	3.2
NFP at June 30th 2020	-17.7	-69.4	51.7

FFC (Oper. CF-CAPEX-non contr.min.)	17.6	7.8	9.8
EBITDA	23.5	9.7	13.8
EBITDA FCF conversion post tax	75.0%	81.3%	70.6%

(*) consolidated figures including C.L.I. from January 1st 2020

2020-2021 ANALYST CONSENSUS

Below is a reconciliation of analysts' forecasts of the main performance indicators for the full-years 2020-2021. Figures are displayed on an aggregate basis.

Consensus 2020	Revenues	Organic growth	EBITDA	Net Income	EPS	Net Debt
Average 2020	520.7	3.9%	45.34	12.63	0.29	15.8
Median 2020	520.0	3.8%	45.83	13.32	0.30	14.5
Consensus 2021	Revenues	Organic growth	EBITDA	Net Income	EPS	Net Debt
Average 2021	520.9	0.0	46.3	13.8	0.3	-7.3
Median 2021	521.7	0.0	46.2	13.9	0.3	-9.2

Management comments

The management of Newlat Food remains confident in the Company's ability to **retain good organic growth** levels in the second half of the year, while improving overall marginality.

Also taking into account upcoming launches of new products and signing of new contracts, at the current date the management of Newlat Food deems that **the Company will meet analysts' expectations for the years 2020-2021.**

Appendix

AGGREGATE INCOME STATEMENT

(In € thousand)	Ended 30 June	
	2019	2020
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Group Net Income	795	25,033

BALANCE SHEET

(In € thousand)	Ended 31 December 2019	Ended 30 June 2020
Non-current assets		
Property, plant and equipment	31,799	148,367
Right of use	17,326	19,027
Intangible assets	25,217	44,722
Equity investments		1,401
Non-current financial assets valued at fair value with impact on I/S	42	733
Financial assets stated at amortized cost	866	806
Prepaid tax assets	5,034	5,436
Total non-current assets	80,284	220,491
Current assets		
Inventory	25,880	44,157
Account receivables	49,274	73,602
Current tax assets	716	3,284
Other receivables and current assets	4,701	11,492
Current financial assets valued at fair value with impact on I/S	4	4
Cash and cash equivalents	100,884	149,524
Total current assets	181,459	282,063
TOTAL ASSETS	261,744	502,554

BALANCE SHEET

(In € thousand)	Ended 31 December 2019	Ended 30 June 2020
Equity		
Share capital	40,780	40,780
Reserves	40,454	61,824
Net Income	10,311	25,033
Total Group Equity	91,546	127,638
Equity attributable to non-controlling interests	-	20,924
Total Consolidated Equity	91,546	148,562
Non-current liabilities		
Provisions for employees	10,646	15,297
Provisions for risks and charges	1,396	1,476
Deferred tax liabilities	3,850	9,882
Non-current financial liabilities	12,000	85,281
Non-current lease liabilities	13,032	13,398
Other non-current liabilities	600	600
Total non-current liabilities	41,524	125,933
Current liabilities		
Account payables	85,592	132,751
Current financial liabilities	22,456	62,552
Current lease liabilities	4,776	6,024
Current tax liabilities	471	1,931
Other current liabilities	15,379	24,799
Total current liabilities	128,674	228,058
TOTAL EQUITY AND LIABILITIES	261,744	502,554

CASH FLOW STATEMENT

(In €m)	Ended 30 June	
	2019	2020
Earnings before tax	13.19	29.14
- Adjustments for:		
Depreciation and amortization	13.69	11.97
Net loss/(gain) on disposal of intangible fixed assets	0.08	(0.05)
Financial expenses/(income)	1.37	1.31
Other non-monetary charges	0.65	(19.29)
Cash flow from operating activities before changes in NWC	28.99	23.13
Change in inventory	1.18	(7.52)
Change in account receivables	6.38	(3.56)
Change in account payables	(10.82)	8.00
Change in other assets and liabilities	10.25	8.18
Use of provisions for risks and charges and employees	(1.08)	(1.17)
Tax paid	(1.17)	(3.13)
Cash flow from operating activities	33.73	23.92
Investments in PPE	(4.46)	(3.72)
Investments in intangible assets	(0.50)	(0.18)
Divestments of financial assets		0.02
Deferred considerations for acquisitions	(2.52)	
Business combination of Delverde	(2.80)	
Business combination of Newlat Deutschland	(58.32)	
Business combination of Centrale del Latte d'Italia		12.30
Cash flow from investing activities	(68.60)	8.42

(In €m)	Ended 30 June	
	2019	2020
Proceeds from long-term debt	15.00	25.00
Repayments of long-term debt	(9.87)	(3.90)
Change in short-term debt		-
Principal repayments of lease obligations	(6.35)	(3.49)
Net interest paid	(1.37)	(1.31)
IPO proceedings	76.54	
Cash flow from financing activities	73.97	16.31
Net change in cash and cash equivalents	39.10	48.64
Cash and cash equivalents beginning of period	61.79	100.88
Total net change in cash and cash equivalents	39.10	48.64
Cash and cash equivalents end of period	100.88	149.52



UPCOMING EVENTS

➤ **13 November 2020**

9M Interim Management Statement



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