



A multibrand company

Q1 2021 RESULTS

14 MAY 2021

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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.

KEY MESSAGES

EXCELLENT BOTTOM-LINE PERFORMANCE AND BETTER THAN EXPECTED SALES

- Q1 2021 confirms **improvement in profitability and cash flow generation**.
- **Net profit increase** despite sales decrease.
- **Sales above analyst consensus** and **business plan budget**

KRAFT-HEINZ CONTRACT RENEWAL

- **Three-year renewal** (2021-23) of the baby food and special products **co-packing contract with Kraft Heinz**. The new agreement implies **better economic conditions and a direct and significant impact on Newlat Food profitability**.

STRATEGY AND MARKET OVERVIEW

- **2021 strategy**: keep current market positioning and focus on NPD and commercial strategy with low promotions.
- **New products successfully launched** between end of Q1 and Q2 2021 and new launches to come soon.
- **Shelf stable products repositioning at historic baseline** vs. strong long-life products stockpiling in 2020 supported by Covid-19.

Q1 2021 KEY FINANCIAL HIGHLIGHTS

REVENUES

€121.5m, -4.6% vs Q1 2020*

- **Better results** vs. budget and analyst consensus
- **29.6% growth** in **dairy** despite difficult comparable basis
- **Gross margin** remained at **same level as 2020** (€ 25,990 thousand vs. 25,930 thousand in 2020)

FCF

FCF € 8.8 million. EBITDA FCF conversion 75.1%

confirming again the Company's ability to generate free cash flow and improve NFP

EBITDA

EBITDA €11.04m, EBITDA margin 9.1%

Despite slight decrease in EBITDA vs. 2020 (11.04 vs. 11.25 in 2020), EBITDA margin increased.

NET INCOME

€3.2 m, +2.4% vs €3.1 m Q1 2020

Strong profitability despite decrease in sales: NI increased compared to 2020.

NET FINANCIAL POSITION

Continuous improvement in NFP equal to positive €11.8m vs positive €5.2m FY20

Excluding the effect of *IFRS 16 lease liabilities*, NFP would have been positive by € 29.5 million.

SHELF PICS OF SOME PRODUCTS LAUNCHED IN THE LAST MONTHS...

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SHELF PICS OF SOME PRODUCTS LAUNCHED IN THE LAST MONTHS...

«**Bifetta**» was launched in most major supermarkets.
Consumer perception has been positive.



Q1 2021 SALES

BREAKDOWN AND ANALYSIS

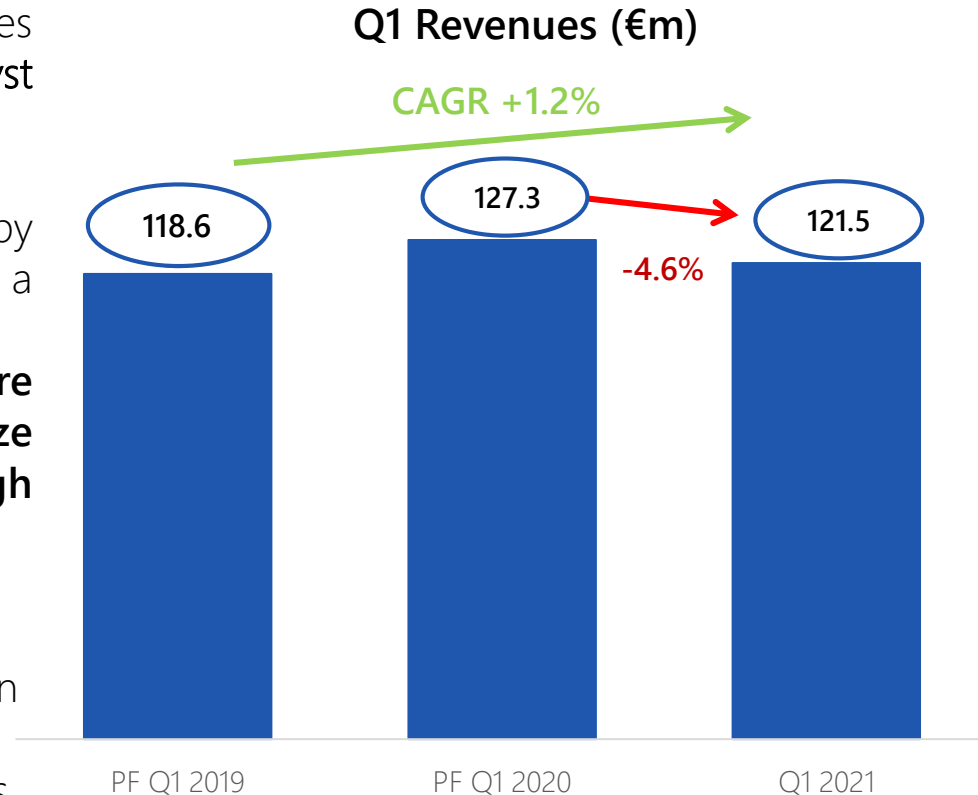
REVENUES AND COSTS IN CONSTANT IMPROVEMENT

The first quarter of 2021 saw a decrease in sales which was better than budget and analyst expectations. This was the result of:

- **exceptional results of Q1 2020**, impacted by panic buying and stockpiling, therefore not a good comparison basis.
- **Q1 2021 increase in marketing and in-store promotional activities to incentivize consumers spending with high profitability.**

Compared to PF Q1 2019, revenues increase 2.4%, thus marking an overall organic increase in sales. EBITDA also increased significantly compared to the 2019 proforma figures (€11m vs. €7.8m)

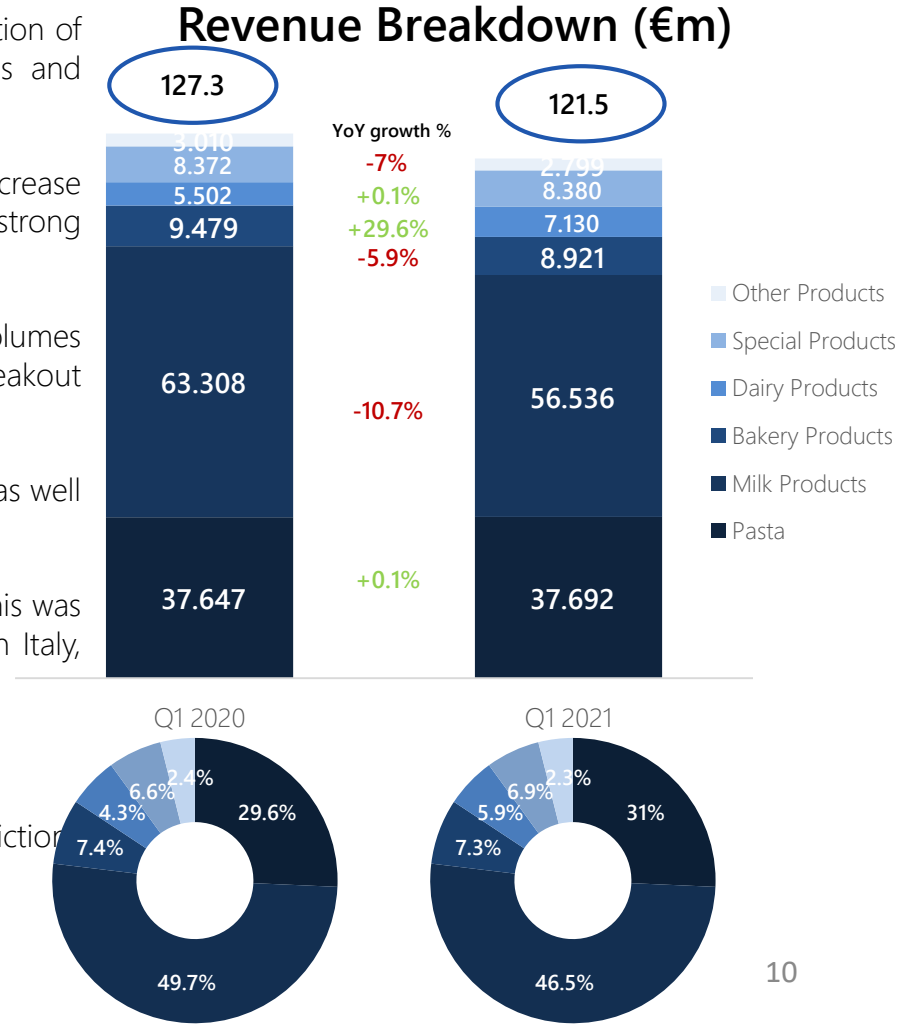
→ **Positive CAGR +1.2% : with an average promotional impact below past year levels.**



REVENUE BREAKDOWN BY BUSINESS UNIT

Q1 2021 saw an overall decrease in supermarket sales due to the reduction of consumer spending vs. the 2020 high spending linked to lockdowns and stockpiling.

- **Pasta** remained stable throughout the period, although the great increase in sales in Q1 2020 following panic buying. This was the result of strong client relationships and commercial efforts made in the last years.
- **Milk** decreased by 10.7% following both lower sales prices and volumes vs. 2020 during which prices and sales went up as a result of the breakout of pandemic.
- **Bakery** decreased by 5.9% following an overall drop in the market as well as a decrease in private label sales.
- **Dairy grew 29.6%** as a result of an increase in marcapone sales. This was possible thanks to strong relationships with customers especially in Italy, France, Eastern Europe and Benelux.
- **Special products** sales remained stable.
- **Other products** decreased by 7% as a consequence of the restriction affecting restaurants, bars, and out-of-home eating in the first three months.



REVENUE BREAKDOWN BY DISTRIBUTION CHANNEL

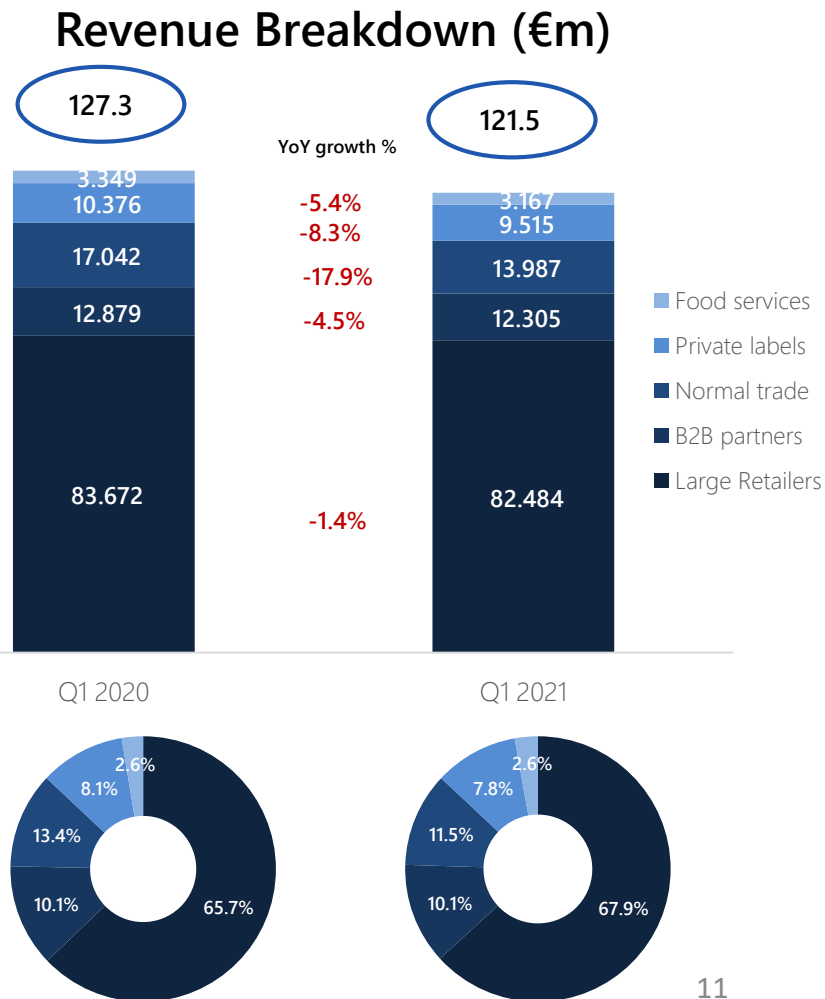
- Revenues from the **large-scale retail distribution** channel went down 1.4%

- Revenues related to the **B2B partners** channel decreased by 4.5% as a consequence of a decrease in average sales price linked to lower raw material prices and stable volumes.

- The revenues from the **Normal trade** channel decreased by 17.9% mainly because in Italy in particular the normal trade channel suffered from the second lockdown.

- Revenues relating to the **private label** channel recorded a decrease of 8.3% compared to the same period of the previous year.

- **Food Service** sales decreased by 5.4% compared to the same period of the previous year as an effect of lockdowns all over Europe.



REVENUE BREAKDOWN BY GEOGRAPHY

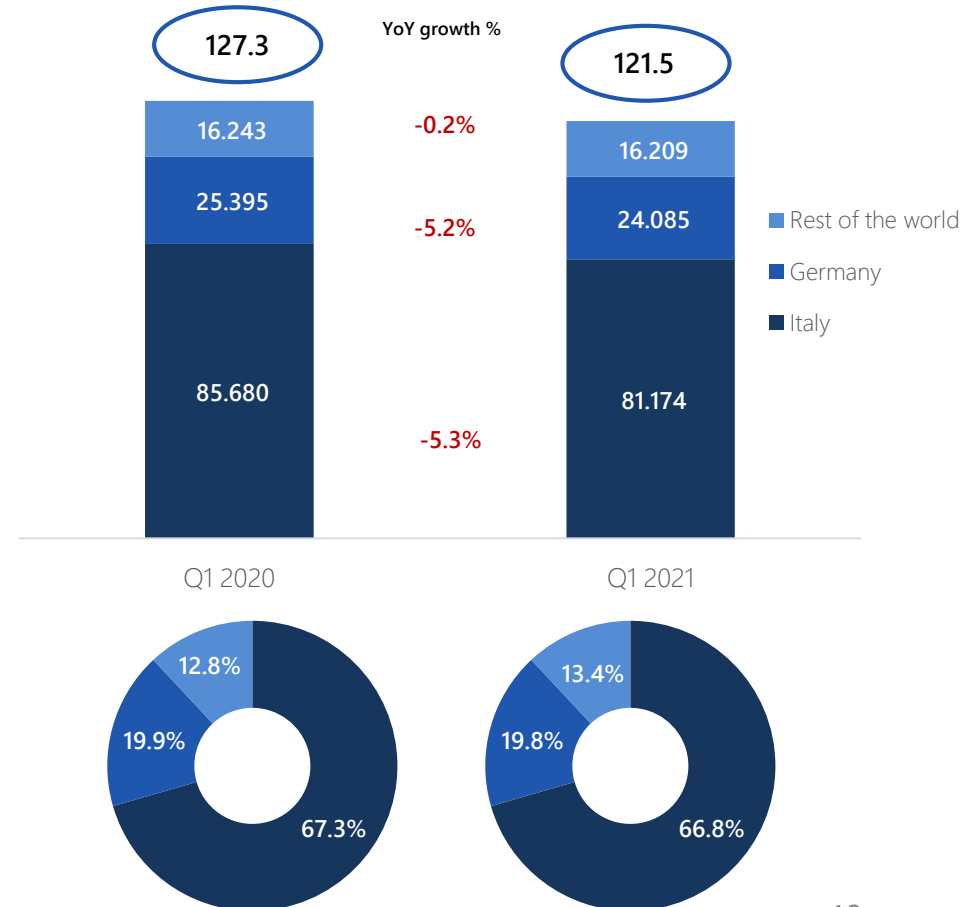
- Revenue distribution by geography remains substantially the same between the two periods.

- Revenues in **Italy** decrease by **5.3%** mainly due to the decrease in the milk products sales as a mixed effect of prices and volumes.

- Revenues in **Germany** decrease by 5.2% as a consequence of lower volumes in pasta and bakery sales. Compared to Q1 2019, Germany saw an increase of 9%.

- Revenues relating to **Other countries** remain substantially unchanged vs. 2020.

Revenue Breakdown (€m)



EBITDA MARGIN INCREASES SHOWING RESILIENCE

Despite the decrease in sales, the Company showed a **positive performance in terms of EBITDA and EBITDA margin**, which was equal to **9.1%** vs. 8.8% in Q1 2020.

The **Pasta** EBITDA went from € 2.25 million in 2020 to €2.06 million in 2021. In 2019, the pasta EBITDA was € 1.8 million.

The EBITDA relating to **Milk Products** is in line with the first quarter of 2020, thanks to a better procurement policy. The Milk EBITDA margin was **10.1%**

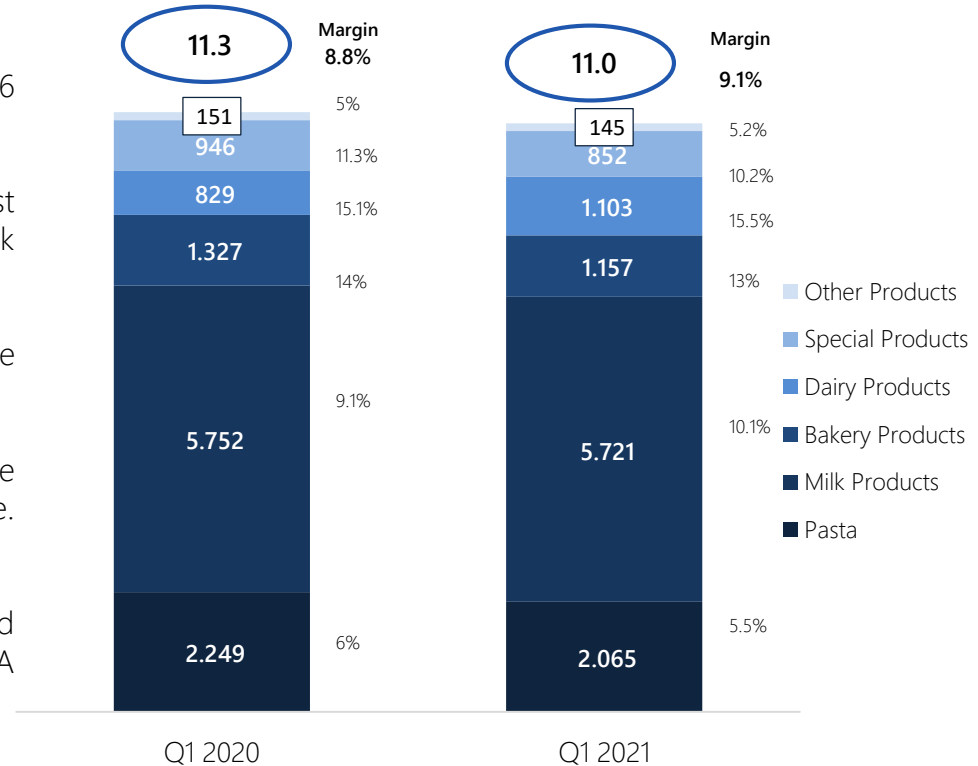
EBITDA relating to the **Bakery Products** segment decreased due to the decrease in sales volumes. EBITDA Margin **13%**.

The EBITDA generated from **Dairy Products** increased mainly due to the increase in sales volumes, in particular of Mascarpone. EBITDA Margin was **15.5%** vs. 15.1% in 2020.

The EBITDA relating to the **Special Products** segment decreased due to the greater promotional push to support sales. EBITDA was **10.2%**.

The EBITDA relating to the **Other Products** segment is substantially in line with the same period of the previous year.

EBITDA breakdown by business unit



NET PROFIT INCREASES DESPITE DROP IN REVENUE

Despite the drop in overall revenue, the Company was able to better manage costs and to record an increase in Net profit which grew by 2.4% compared to Q1 2020, reaching €3.2 million.

The increase is also attributable to lower financial expenses and a decrease in taxes.

Profit margin improved and reached 2.6% vs 2.4% in Q1 2020.

EPS remains stable at 0.06.

(In € thousand)	Ended 31 March	
	PF 2020	2021
Revenues from clients' contracts	127.318	121.458
Cost of goods sold	(101.387)	(95.468)
Gross margin	25.931	25.990
Sales and distribution expenses	(14.480)	(16.091)
Administrative expenses	(6.900)	(5.815)
Net write-offs of financial activities	(518)	(329)
Other income and revenues	2.363	2.822
Other operating costs	(1.438)	(1.852)
EBIT	4.958	4.725
Financial income	241	125
Financial expenses	(866)	(519)
EBT	4.333	4.331
Taxes	(1.253)	(1.176)
Net Income	3.080	3.155
EPS	0.06	0.06
Diluted EPS	0.06	0.06

FCF AND NFP IMPROVEMENT

- The Cash Flow Statement confirms once again the **strong cash conversion of the Company.**
- Consolidated **FCF was equal to € 8.8 million**, with an **EBITDA FCF conversion rate of 75.1%** at Group level.
- **Further improvement of NFP: €11.2 million** vs. € 5.2 m at 31 December 2020.
- **Positive contribution of NWC** to FCF despite the very strong performance in 2020.

CASH FLOW STATEMENT €mn	Newlat Food 1Q 2021
EBITDA	11,7
Net Interest costs	-0,4
Δ NWC	1,7
TAX & Others	-0,7
Other	0,0
(A) Cash flow from operating activities	12,3
Capex	-1,7
% of sales	0,3%
Proceeds from sale of property	0,0
IFRS16 CAPEX	-1,8
Acquisition of businesses	-0,5
(B) Cash flow from investing activities	-4,0
Other financial revenues (costs)	0,0
Dividends paid	0,0
IFRS16 lease liabilities	0,0
Buy Back of ordinary shares	-2,3
Proceeds from cap increase	0,0
Other items including exceptional	0,0
(C) Cash flow from financing activities	-2,3
NFP at December 31st 2020	5,2
Change in NFP (A+B+C)	6,0
NFP at March 31st 2021	11,2
IFRS 16 NPV obligation	-17,1
NFP excluding IFRS 16	28,4
FFC (Oper. CF-CAPEX) excluding M&A	8,8
EBITDA	11,7
EBITDA FCF conversion post tax	75,1%

KEY TAKEAWAYS

- **VACCINATION CAMPAIGN AND REOPENINGS**

The on-going vaccination campaigns around the world and slow loosening of restrictions set out a positive environment for the food service recovery together with a normalization of the modern trade volumes.

- **NPD and innovation**

New products launched in 2021 and to-be-launched products expected to further improve product mix.

- **MILK&DAIRY AGGREGATION**

The positive effects of the milk&dairy lease to CLI likely to be seen between Q3 and Q4.

- **M&A**

The company is involved in three strictly confidential and sizeable M&A processes in Italy and in other countries around Europe.

- **BABY FOOD DEVELOPMENT**

KH contract + new contracts signed last year will give a gradual positive contribution starting from 2H 2021

Q&A

Appendix

PROFORMA INCOME STATEMENT

<i>(In € thousand)</i>	2021	2020 (*) Proforma
Revenue from clients' contracts	121,458	127,318
Cost of goods sold	(95,468)	(101,387)
Gross profit	25,990	25,931
Sales and distribution costs	(16,091)	(14,480)
Administrative expenses	(5,815)	(6,900)
Net impairment of financial assets	(329)	(518)
Other income	2,822	2,363
Other operational costs	(1,852)	(1,438)
EBIT	4,725	4,958
Financial income	125	241
Financial expense	(519)	(866)
EBT	4,331	4,333
Gross income tax	(1,176)	(1,253)
Net Income	3,155	3,080
Basic EPS	0.06	0.06
Diluted EPS	0.06	0.06
EBITDA	11,043	11,253
EBITDA MARGIN	9.1%	8.8%

(*) the figures as at 31 March 2020 take into account the results of the Centrale Latte d'Italia S.p.A.

CONSOLIDATED BALANCE SHEET

(€ thousand)

31 March 2021

31 December 2020

Non-current assets

Property, plant and equipment

149,758

151,541

Right of use

16,243

18,452

Of which towards related parties

5,791

6,708

Intangible assets

50,771

51,058

Investments in associated companies

1,397

1,397

Non-current financial assets valued at fair value with impact on I/S

808

746

Financial assets at amortized cost

801

801

Of which towards related parties

735

735

Deferred tax assets

5,460

5,466

Total non-current assets

225,239

229,460

Current assets

Inventory

44,337

41,347

Account receivables

72,310

71,268

Of which towards related parties

184

606

Current tax assets

1,909

1,888

Other receivables and current assets

12,074

11,003

Current financial assets valued at fair value with impact on I/S

4

4

Cash and cash equivalents

419,511

182,127

Of which towards related parties

47,755

69,351

Total current assets

550,144

307,638

TOTAL ASSETS

775,383

537,098₂₀

CONSOLIDATED BALANCE SHEET

Equity		
Share capital	43,935	43,935
Reserves	96,250	61,276
Net Income	2,588	37,053
Total Group Equity	142,773	142,265
Equity attributable to non-controlling interest	13,934	13,790
Total consolidated equity	156,706	156,057
Non-current liabilities		
Provisions for employees	15,385	15,411
Provisions for risks and charges	1,575	1,587
Deferred tax liabilities	12,000	12,080
Non-current financial liabilities	295,332	94,811
Non-current lease liabilities	10,129	12,436
<i>Of which towards related parties</i>	<i>3,227</i>	<i>4,144</i>
Other non-current liabilities	334,420	136,325
Total non-current liabilities		
Current liabilities		
Account payables	158,410	151,388
<i>Of which towards related parties</i>	<i>157</i>	<i>213</i>
Current financial liabilities	94,684	63,121
<i>Of which towards related parties</i>	<i>891</i>	<i>891</i>
Current financial liabilities	7,615	6,570
<i>Of which towards related parties</i>	<i>2,812</i>	<i>2,812</i>
Current tax liabilities	4,021	3,438
Other current liabilities	19,526	20,201
Total current liabilities	284,255	244,718
TOTAL EQUITY AND LIABILITY	775,383	537,098

CASH FLOW STATEMENT

(In € thousand)	2021	2020
Profit before income tax	4,331	3,193
- <i>Adjustments:</i>		
Depreciation and amortization	6,318	3,400
Financial Interest / (Income)	394	96
<i>Of which towards related parties</i>		(18)
Cash flow from operating activities before changes in net working capital	11,043	6,689
Changes in inventory	(2,990)	126
Changes in trade receivables	(1,371)	(1,460)
Changes in trade payables	7,022	(2,624)
Change in other assets and liabilities	(1,246)	2,022
Uses of employee benefit obligations and provisions for risks and charges	(276)	(66)
Income tax paid	(689)	(99)
Total cash flow provided / (used in) operating activities	11,492	4,182
Investments in property, plant and equipment	(1,487)	(607)
Investments in intangible assets	(175)	(70)
Investments in financial assets	(62)	
Deferred payment of acquisitions	(500)	
Net cash flow provided by / (used in) investing activities	(2,224)	(677)
Proceeds from long-term borrowings	224,014	15,000
Repayment of long-term borrowings	8,070	(16,703)
Repayment of leaseings	(1,305)	(1,199)
<i>Of which towards related parties</i>	(917)	(893)
Net interest paid	(394)	(96)
<i>Of which towards related parties</i>		(18)
Own shares	(2,268)	

CASH FLOW STATEMENT

Net cash flow provided by / (used in) financing activities	228,117	(2,998)
Total cash flow provided / (used) in the period	237,383	506
Cash and cash equivalents at the beginning of the period	182,127	100,884
<i>Of which towards related parties</i>	<i>69,351</i>	<i>45,338</i>
Total change in cash and cash equivalents	237,383	506
Cash and cash equivalents at the end of the period	419,511	101,390
<i>Of which towards related parties</i>	<i>47,755</i>	<i>44,969</i>



UPCOMING EVENTS

- **10 September**
1H Results
- **12 November**
9M Results



A multibrand company

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