



## 9M 2022 Results Presentation

11 November 2022

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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.

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# Italian

culinary tradition

# About us

**We are an Italian company whose core business is carried out in the agri-food sector.**

As one of Italy's leading producers, we provide the market with indisputably high-quality products every day, thanks to our historical brands in the milk and dairy, pasta and baked goods, as well as in the areas of nutraceuticals and children's goods.

**We are leaders in the agri-food sector and one of Italy's leading producers of;**

- Milk and dairy products
- Pasta and baked goods
- Gluten-free and protein-free products
- Baby food
- Instant food



## The group at a glance

- 3 Core markets
- More than **3,000** products
- More than **20,000** clients among the most important retailers in Europe
- ca. **630 million** revenue
- More than 2500 employees
- Export to more than **60 countries**
- **18 facilities** across Italy, UK & Germany
- **6 product categories**



# 9M 2022 Highlights

# 9M 2022 key financial highlights\*

## Revenues

- €521.2m, +15.2% vs. PF 9M 2021
- Q3 organic growth vs. Q3 2021: +25.6%
- Highest increase in pasta (+36.4%) and dairy (+26%)
- Italy: + 14.6%; UK: +25.1%; Germany: +12%

## EBIT

- EBIT was € 11.8 million vs. € 17.9m in 9M 2021. Good growth of EBIT in Q3 2022 (€ 4.02 million vs. € 2.75 in Q2 2022)

## Free Cash Flow

- FCF: € 11 million. EBITDA FCF conversion\*\*: 80%, confirming the Company's ability to generate free cash flow.

## EBITDA

- EBITDA €39.6 m vs. €43.5 m in 9M 2021
- EBITDA margin 7.6% vs. 9.6% in 9M 2021
- Margin recovery quarter on quarter vs. Q2
- Margins negatively influenced by higher raw material, packaging, energy and logistics prices

## Net Income

- Net Income was € 3.5 million vs. adj. € 6.6 m in 9M 2021 (reported at € 11.9 million, which benefited from an additional € 5.3 million for the release of deferred tax liabilities relating to the redemption of the misalignments resulting from M&A)

## Net Financial Position

- Net Debt € 38.4 million vs. € 52.9 m in FY 2021
- Excluding IFRS 16 lease liabilities, ND would have been € 7.0 million vs. € 13.8 m in FY 2021.

\*2021 figures are proforma and include Symington's from 1st January 2021

\*\* Cash conversion is defined as: (EBITDA – CAPEX)/EBITDA.

## Naked already ranked 3rd noodle brand by value in Italy after 6 months of distribution

From the latest data provided by IRI, Naked appears to have already gained 1.8% of volume share and 2.4% of value share (much higher than other pre-existing competitors like MARS and Nestlé), **becoming the 3rd player by value** in the Italian noodle market, with a much **higher price than competition** (average is €23.29 per KG vs €16.15 of the leader) with a distribution that is still only 28% of the total (DP)

Mars (Suzi Wan) and Nestlé (Maggi) are respectively 4th and 8th by value in the Italian noodle market





# 9M 2022 business update

## STRATEGIC AND COMMERCIAL INITIATIVES

All commercial initiatives in pipeline have been successfully launched

Very strong commercial power despite higher prices, confirmed by strong underlying volume growth

## SYMINGTON'S UPDATE

Re-organisation of the Consett plant: process is ongoing

Working on NPD, continuous investments in efficiency (new pot line, automatisations)

Positive contribution on EBITDA expected in 2023

## EM FOODS ACQUISITION

New M&A deal in place: increase the contribution of the bake in box and cake mixes business in Europe

Development of new lines in "flavor and fragrances" business

## RAW MATERIAL AND INFLATION

A strong inflationary wave is continuing to be present on the market and it remains difficult at this point in time to make any kind of prediction .

Thanks to the fixed price contracts we do not expect any impact from energy price increases in 2022.

On the basis of the environment described above, we are negotiating additional price increases in 4Q 2022 – 1Q 2023.

# 9M 2022 SALES BREAKDOWN AND ANALYSIS

## 9M 2022 revenue highlights

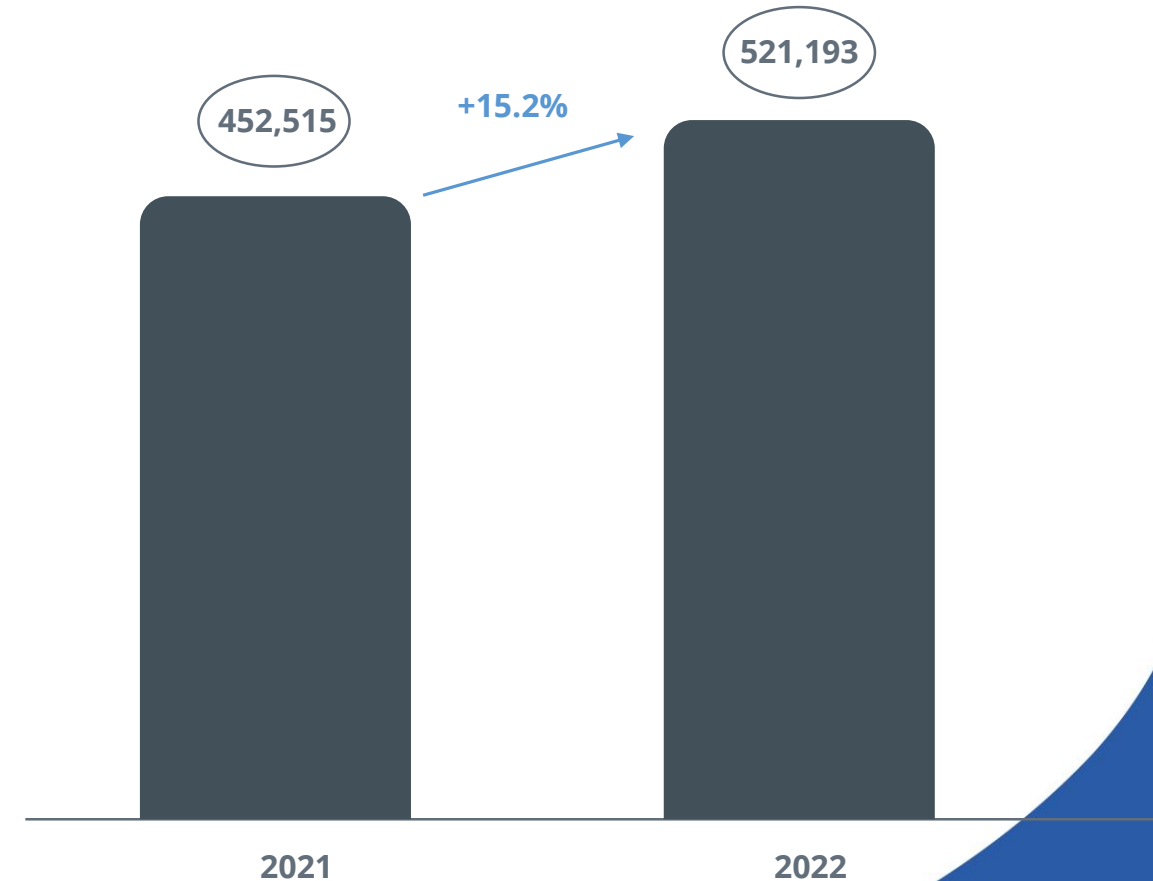
9M 2022 saw an increase in sales of +15.2%

This period was characterized by an acceleration in sales growth thanks to the combined impact of:

- Volume growth of +3% which confirms the strong underlying demand.
- New launches and new listings' contribution confirmed the strong commercial commitment and the quality of our products.
- Strong price increases confirmed the Newlat commitment to protect margins in this challenging environment.

We already started negotiations for additional price increases in all the markets for 2023.

Proforma revenues (€ thousand)



# Revenue breakdown by business unit

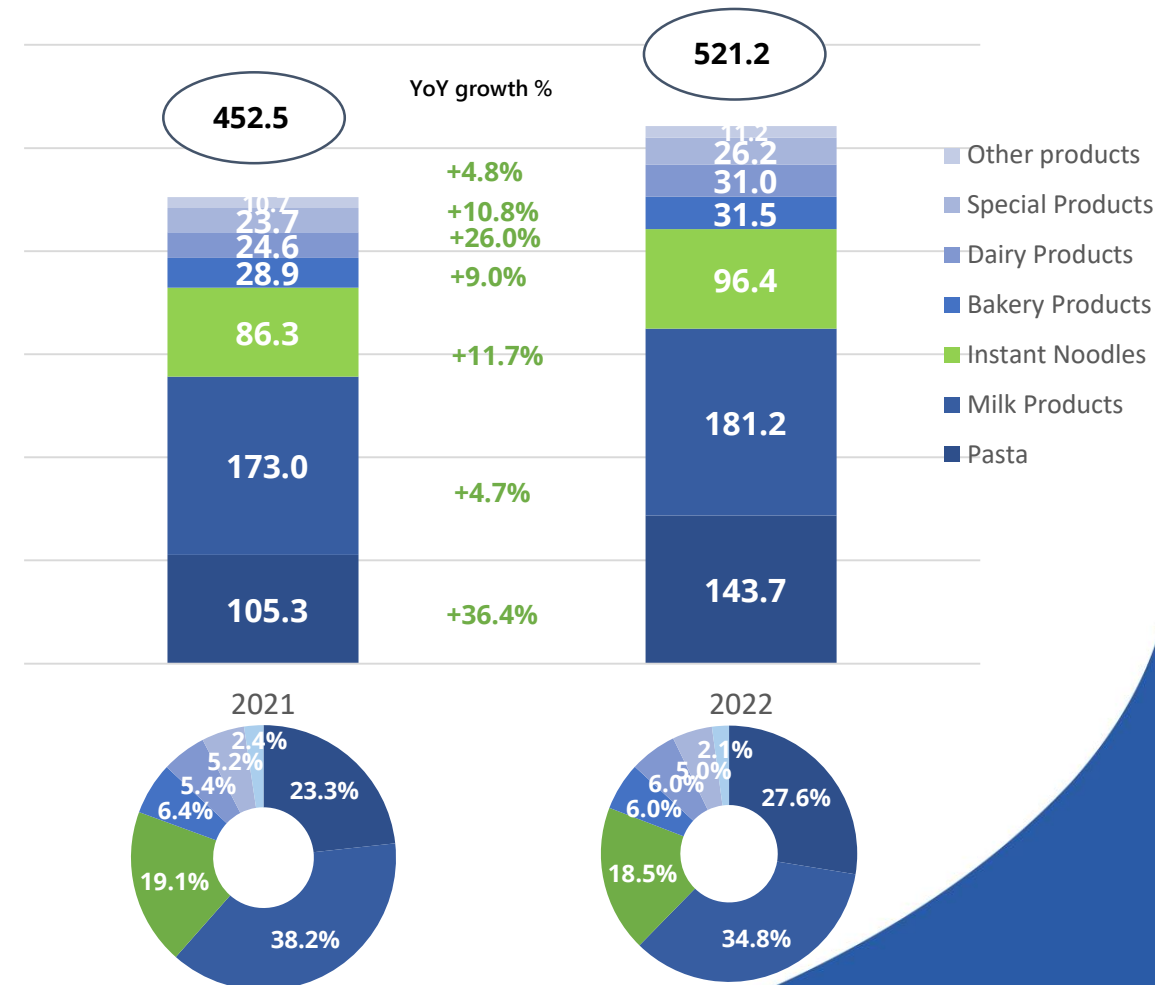
9M 2022 saw an increase in sales of +15.2%.

All the segments were positively impacted by higher average selling prices vs. 2021.

In particular:

- Pasta sales went up by 36.4% also thanks to stronger sales volumes and new customers' contributions.
- The Milk segment grew, driven by a higher demand in the food service and normal trade sectors and a good growth of fresh and UHT milk as well as butter and cream.
- Bakery Products growth was driven by Crostino sales and thanks to an increase in demand in the private label and B2B sectors.
- Dairy Products sales increase was driven by the strong demand of Mascarpone especially in USA (+20%), Canada (+60%), Belgium (+16%), France (+32%) and the Netherlands (+20%). Good growth expected in Q4 due the Christmas period.
- The Instant Noodles revenues grew strongly thanks to product innovation and the export to new markets.
- Special Products segments grew thanks to the development of new countries in the existing contracts.
- Revenues relating to the Other Products increased by 4.8%.

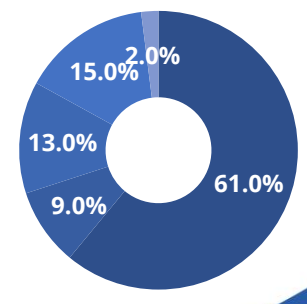
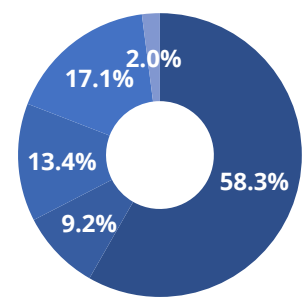
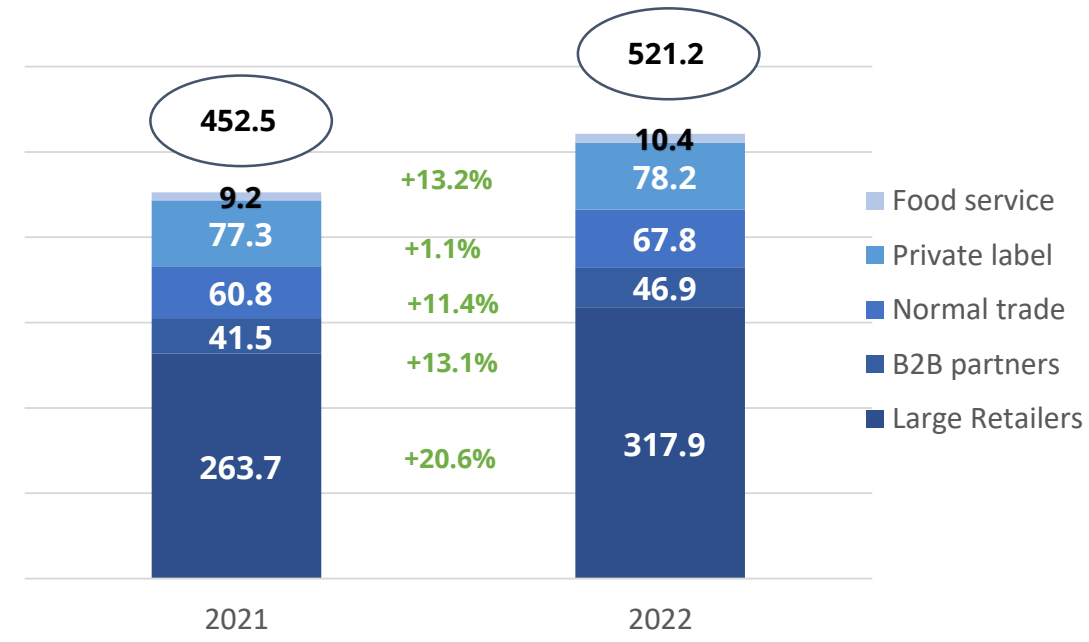
## Revenue breakdown (€m)



# Revenue breakdown by distribution channel

- The large-scale retail channel sales increased following the entry of new customers and an increase in the average selling price. The product categories that grew the most in this channel were pasta and dairy.
- B2B, normal trade and food service sales went up as a result of higher average selling price and an increase in demand. Very good growth in this channel in the pasta and special products segments.
- Revenues relating to the private label channel recorded an increase compared to the same period of 2021, especially thanks to a growth in the pasta private label business.

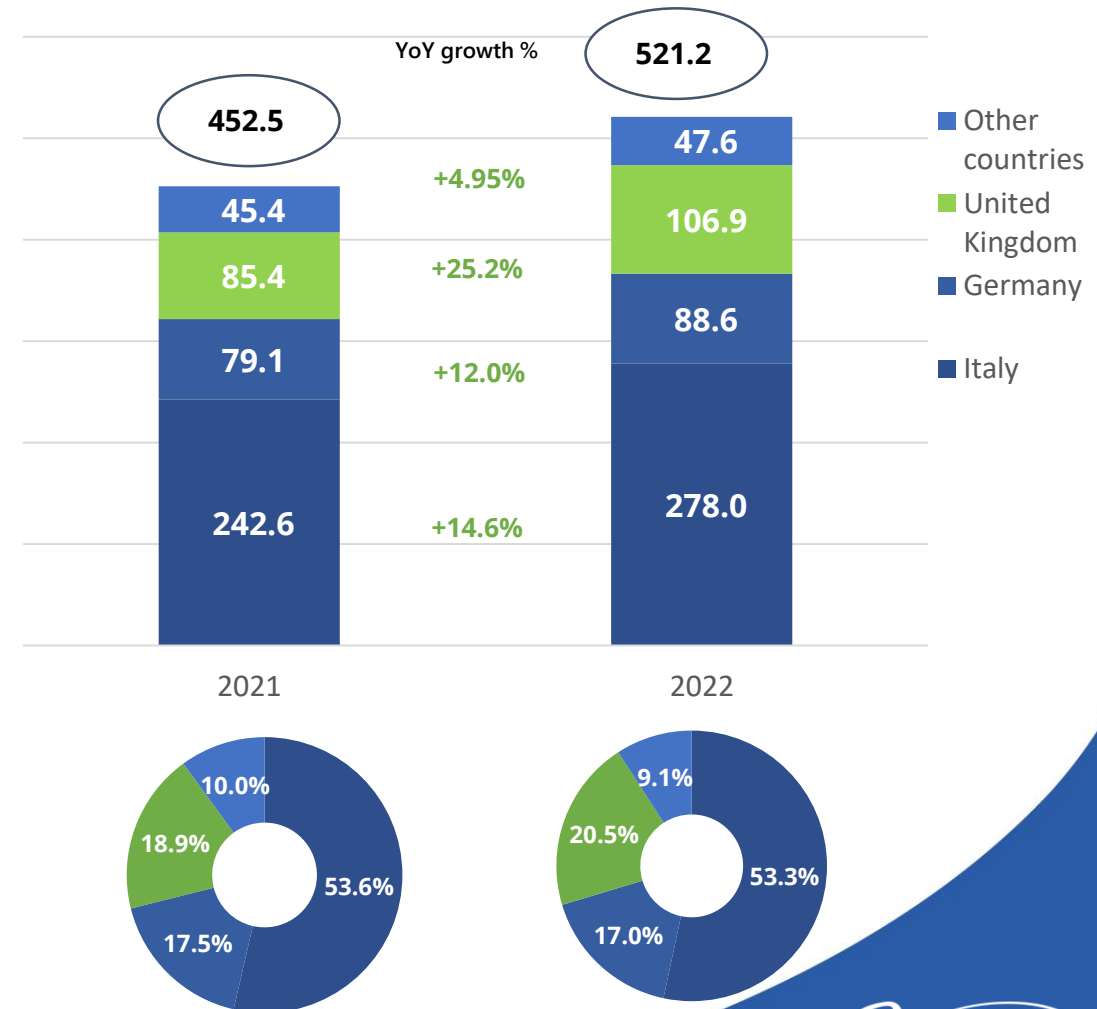
Revenue breakdown (€m)



# Revenue breakdown by geography

- Sales were positively impacted by higher ASPs in all geographies.
- Revenues in Italy went up as a result of higher sales volumes in the Pasta, Instant Noodles and Bakery sector. The introduction of the Naked Noodles and Rice range was very well received by Italian retailers and consumers, which can be seen in market data.
- In Germany, revenues increased following higher sales volumes in the Pasta and Dairy sectors as well as thanks to the introduction of the Symington's instant noodles range in Germany.
- United Kingdom sales grew 25.2% thanks to higher sales volumes in the Pasta and Instant Noodles sectors.
- Revenues relating to the Other Countries increased by 4.95% in the period under review.

Revenue breakdown (€m)



# EBITDA breakdown by business unit

EBITDA was €39.6m in 9M 2022, compared to €43.5 million in 9M 2021.

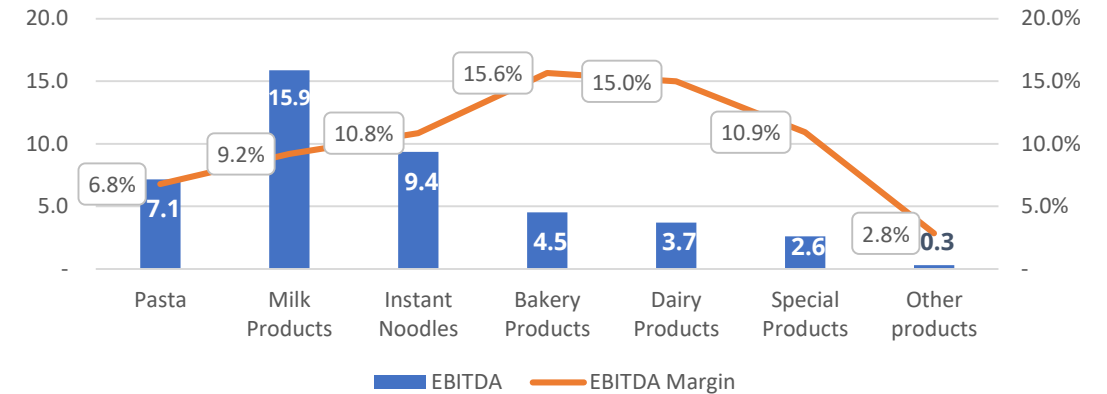
In Q3, EBITDA was € 14.2 million, reaching the peak of the year with an increase of +19.2% vs. Q2 and +11% vs. Q1 2022.

Despite the very challenging scenario in terms of cost inflation, the Group has been able to mitigate the dilution of profitability driven by the time mismatch between cost increase and cost pass through.

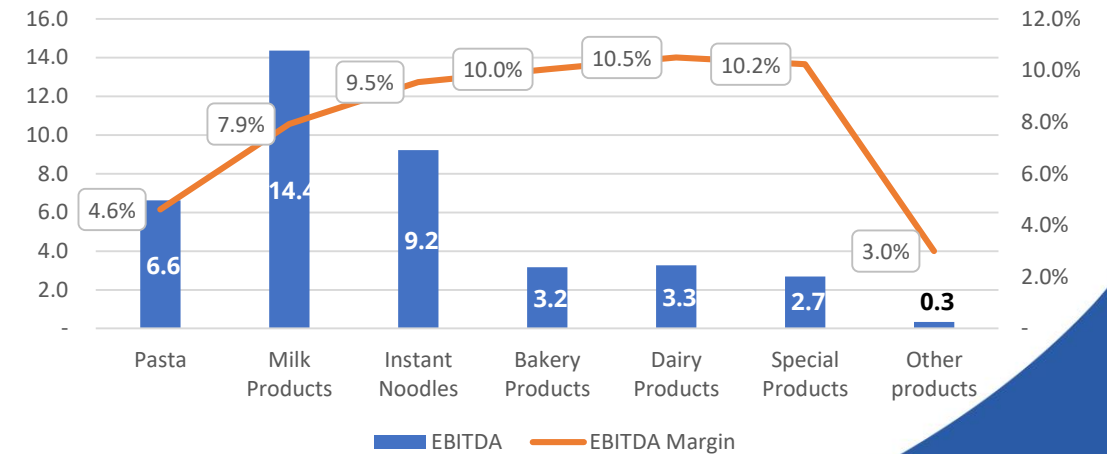
On this basis, the management is very confident that after a stabilization of the inflationary scenario, Newlat will likely recover profitability in a short period of time thanks to its portfolio diversification, industrial efficiency, high own brand positioning and strong financial flexibility.

Unfortunately, the general inflationary scenario still persists with high volatility and an uncertain trend; The company will commit to recovering all the margin losses that it will incur due to future inflation, in order to keep marginality similar to its historical average.

EBITDA (€m) and EBITDA margin 9M 2021



EBITDA (€m) and EBITDA margin 9M 2022



# Free cash flow

CASH FLOW STATEMENT €mn	Newlat Food Consolidated 9M 2022
Adj. EBITDA	39.6
Net Interest costs	-6.6
Δ NWC	-3.9
TAX & Others	-1.7
<b>(A) Cash flow from operating activities</b>	<b>27.5</b>
Capex	-7.9
Proceeds from sale of property	
IFRS16 CAPEX	-8.5
Acquisition of businesses	-0.3
<b>(B) Cash flow from investing activities</b>	<b>-16.7</b>
<b>FCF (Oper. CF-CAPEX)</b>	<b>11.0</b>
<b>Cash Conversion (EBITDA-CAPEX)/EBITDA</b>	<b>80.0%</b>

In € thousand	1Q 2022	2Q 2022	1H 2022	3Q 2022	9M 2022
<b>Revenues</b>	165,435	170,043	335,478	185,714	521,193
<b>EBIT</b>	4,969	2,750	7,719	4,026	11,745
<b>EBITDA</b>	13,068	12,377	25,445	14,199	39,644
<b>Net Income</b>	2,400	(217)	2,183	1,354	3,537

FCF generation remained solid despite the «investment» in working capital in a very difficult market environment.

We expect cash generation to continue in Q4 2022, driving a further reduction of net debt.

Consolidated revenues (+15.2%): strong organic volume and value growth of + 25.6% recorded during the third quarter compared to Q3 2021.

EBITDA: € 39.6 million thanks to a strong recovery in Q3 compared to previous quarters (+ 19% compared to Q2 and + 11% compared to Q1) and with a recovery of margins (3Q EBITDA margin 7.8% vs. 7.1% in Q2).

Net profit equal to € 3.5 million, a decrease compared to € 6.6 million at 30 September 2021, with a strong and prompt recovery of € 1.35 million in Q3 2022 after a very weak Q2 2022.



## 2023 expectations

Complicated scenario due to the impact of **energy costs** and persistent **geopolitical uncertainty**; despite this, Newlat confirms its commitment in:

- **Further price increase campaigns** for downstream transfer of energy costs;
- **Industrial efficiency** and **product innovation** plans;
- Strong **strategic focus on M&A** with interesting opportunities already in an advanced negotiation stage.



# Appendix

# Proforma Income Statement

(In € thousand)	30 September	
	2022	PF 2021
Revenue from clients' contracts	521,193	452,515
Cost of goods sold	(433,379)	(353,178)
<b>Gross margin</b>	<b>87,814</b>	<b>99,337</b>
Sales and distribution expenses	(62,496)	(56,921)
Administrative expenses	(15,518)	(21,375)
Net write-offs of financial activities	(533)	(1,108)
Other income	7,018	6,379
Income from business combination	0	0
Other operational costs	(4,540)	(8,350)
<b>EBIT</b>	<b>11,745</b>	<b>17,964</b>
Financial income	2,349	776
Financial expenses	(8,988)	(6,824)
<b>EBT</b>	<b>5,105</b>	<b>11,917</b>
Income tax	(1,569)	(47)
<b>Net profit</b>	<b>3,537</b>	<b>11,869</b>
Net income attributable to third parties	955	3,193
<b>Group Net Income</b>	<b>2,582</b>	<b>8,677</b>

# Consolidated Income Statement

(In € thousand)	Ended 30 September	
	2022	2021
Revenue from clients' contracts	521,193	383,152
Cost of goods sold	(433,379)	(298,626)
<b>Gross margin</b>	<b>87,814</b>	<b>84,526</b>
Sales and distribution expenses	(62,496)	(48,827)
Administrative expenses	(15,518)	(18,229)
Net write-offs of financial activities	(533)	(1,108)
Other income	7,018	6,120
Income from business combination	0	0
Other operational costs	(4,540)	(5,856)
<b>EBIT</b>	<b>11,745</b>	<b>16,627</b>
Financial income	2,349	776
Financial expenses	(8,988)	(6,272)
<b>EBT</b>	<b>5,106</b>	<b>11,131</b>
Income tax	(1,569)	329
<b>Net profit</b>	<b>3,537</b>	<b>11,460</b>
<b>Net income attributable to third parties</b>	<b>955</b>	<b>3,193</b>
<b>Group Net Income</b>	<b>2,582</b>	<b>8,268</b>
Basic EPS	0.07	0.19
Diluted EPS	0.07	0.19

# Balance sheet

In € thousand	30 September 2022	31 December 2021	In € thousand	30 September 2022	31 December 2021
<b>Non-current assets</b>			<b>Equity</b>		
Property, plant and equipment	151,570	157,417	Share capital	43,935	43,935
Right of use	32,237	38,572	Reserves	76,642	81,447
Intangible assets	94,224	97,824	Currency translation reserve	(2,548)	(478)
Investments measured with equity method	1,401	1,401	Net Income	2,582	5,134
Non-current financial assets valued at fair value with impact on I/S	1,164	731	<b>Total Group Equity</b>	<b>120,611</b>	<b>130,038</b>
Financial assets stated at amortized cost	799	801	Equity attributable to non-controlling interests	15,415	14,477
Deferred tax asset	8,043	7,580	<b>Total Consolidated Equity</b>	<b>136,026</b>	<b>144,515</b>
<b>Total non-current assets</b>	<b>289,438</b>	<b>304,326</b>	<b>Non-current liabilities</b>		
<b>Current assets</b>			Provisions for employees	13,911	14,223
Inventory	89,209	63,881	Provisions for risks and charges	2,108	2,030
Account receivables	61,140	67,184	Deferred tax liabilities	18,997	19,097
Current tax assets	3,228	3,324	Non-current financial liabilities	263,939	287,216
Other receivables and current assets	7,651	11,262	Non-current lease liabilities	22,460	31,175
Current financial assets valued at fair value with impact on I/S	4,314	35	Other non-current liabilities	-	-
Cash and cash equivalents	409,093	384,888	<b>Total non-current liabilities</b>	<b>321,414</b>	<b>353,741</b>
<b>Total current assets</b>	<b>574,634</b>	<b>530,574</b>	<b>Current liabilities</b>		
<b>TOTAL ASSETS</b>	<b>864,071</b>	<b>834,900</b>	Account payables	187,421	179,024
			Current financial liabilities	183,575	127,280
			Current lease liabilities	8,879	7,887
			Current tax liabilities	3,746	3,364
			Other current liabilities	23,008	19,087
			<b>Total current liabilities</b>	<b>406,631</b>	<b>336,643</b>
			<b>TOTAL EQUITY AND LIABILITIES</b>	<b>864,071</b>	<b>834,900</b>

# Cash flow statement

(In € thousand)	30 September	
	2022	2021
Earnings before tax	5,106	11,132
- Adjustments for:		
Depreciation and amortization	27,900	19,784
Financial expenses/(income)	6,639	5,495
<b>Cash flow from operating activities before changes in NWC</b>	<b>39,645</b>	<b>36,411</b>
Change in inventory	(25,329)	(6,496)
Change in account receivables	5,512	11,523
Change in account payables	8,397	(327)
Change in other assets and liabilities	7,535	(1,659)
Use of provisions for risks and charges and employees	(234)	(853)
Tax paid	(1,656)	(2,664)
<b>Cash flow from operating activities</b>	<b>33,870</b>	<b>35,936</b>
Investments in PPE	(7,261)	(6,546)
Investments in intangible assets	(677)	(1,763)
Investments in financial assets	(4,363)	4
Deferred considerations for acquisitions		(600)
Lylag acquisition	(300)	(63,631)
<b>Cash flow from investing activities</b>	<b>(12,601)</b>	<b>(72,536)</b>

(In € thousand)	30 September	
	2022	2021
Proceeds from long-term debt	70,000	36,532
Repayments of long-term debt	(36,983)	(13,607)
Bond issue	-	198,434
Principal repayments of lease obligations	(11,071)	(8,682)
Net interest paid	(6,639)	(5,495)
Dividend paid		(1,961)
Purchase of minority interest	(17)	(67)
Own shares	(10,396)	(7,554)
<b>Cash flow from financing activities</b>	<b>4,894</b>	<b>199,561</b>
<b>Net change in cash and cash equivalents</b>	<b>26,163</b>	<b>162,961</b>
Cash and cash equivalents at the beginning of the period	384,888	182,127
Total net change in cash and cash equivalents	26,163	162,961
Foreign currency translation reserve	(1,958)	
<b>Cash and cash equivalents at the end of the period</b>	<b>409,093</b>	<b>345,088</b>



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