Sligro Food Group N.V.

Press release
2020 annual figures

As reported in our press release on sales dated 6 January 2021, our annual net sales decreased by 18.7% due to the impact of COVID-19 on our sales markets. This resulted in a net loss of €70 million for the financial year. This includes non-cash impairments, as explained earlier this year. Without these impairments, the net loss amounted to €14 million. We generated a net profit of €2 million in the second half of the year.

Koen Slippens, CEO

'As regards economic developments and our sales markets, 2020 was entirely defined by COVID-19. The outbreak of the pandemic and the measures governments took to combat it seriously affected our sales markets. The hospitality industry, sports clubs, stadiums, leisure facilities, corporate catering and events were all hit hard. The delivery channel was affected severely, suffering periods in which net sales fell by as much as 75%. In contrast, cash-and-carry gave many entrepreneurs a good alternative and net sales there even increased. We estimate the Group's loss of net sales to be €0.5 billion as a consequence of COVID-19.

We were able to increase our market share in the Netherlands by 2.4% to 26.6% due to the good spread of our customer base across various segments in the food service markets, in combination of cash-and-carry with delivery services and the strength of the formula. Our short-term focus was also to offset the drop in net sales and adjust costs and investments to keep the cash in the organisation. We were successful in that regard. In Belgium, we retained our market share and offset the fall in net sales with specific interventions in costs.

We also focused on our financing and liquidity. In constructive talks with our banks and financiers, we tackled various potential scenarios and created extra leeway. It was good to note that we ultimately did not need that extra leeway during the year.

The consequences of COVID-19 will also dominate a major part of 2021. If the vaccination strategy is successful, we expect to see gradual recovery from the second quarter on. On the basis of our experiences in 2020, we know that recovery can happen quickly and that consumers will return to hospitality venues as soon as they are permitted to do so. These assumptions lead us to expect that we will approach our pre-COVID-19 net sales levels during the second half of the year.

Key figures[1)]

x € million	2020	2019
Key figures for continuing operations		
Net sales	1,946	2,395
Organic net sales growth (%)	(20.5)	(0.9)
Gross operating profit (EBITDA)	75	127
Operating profit before amortisation (EBITA)	7	66
Operating profit (EBIT)	(76)	44
Net profit (loss)	(70)	34
Net profit (loss) excluding impairment	(14)	34
Free cash flow	67	38
Net invested capital	802	902
Net interest-bearing debts	402	424
Earnings (loss) per share (x € 1)	(1.59)	0.78
Dividend per share (x € 1)		0.55
Key figures for the Group		
Net profit (loss)	(70)	33
Earnings (loss) per share (x € 1)	(1.59)	0.75

1) The auditor has not yet completed the 2020 audit and has not yet issued an auditor's report.

Furthermore, we continue to focus on our five long-term strategic themes. These themes were launched in 2020 as part of our annual theme of 'Give me Five'. Sadly, 'giving each other five' was precisely what we could not do in 2020. Despite the extreme drop in net sales, our cost base was well budgeted in 2020. We proceeded with a number of strategic programmes or even accelerated them and our five strategic priorities are still standing strong. Our teams have demonstrated flexibility and vigour and our market position has been consolidated. That basis and our expectation that markets will recover during the course of the year ensure that we enter 2021 with boundless energy and our heads held high. Developing the annual theme for 2020, we plan to reaffirm it in 2021 with 'High Five' as our theme.'

High Five

Our five strategic focus areas:

1. Excel in customer satisfaction in the delivery segment.
2. Excel in customer satisfaction in the cash-and-carry segment.
3. Operational excellence and returns in the supply chain.
4. A happy, committed and professionally strong team.
5. Successfully launch SAP.

Netherlands

In the Netherlands, we made a conscious decision to continue with a number of strategically important initiatives for the longer term. The physical integration of the Heineken operations into our delivery service network has been completed and, as of the fourth quarter, all the functionality is operational, offering our joint Sligro-Heineken customers the 'one order, one delivery, one invoice' experience. Our ordering platform has been migrated to SAP and all our customers have been transferred to that new platform. The integration of De Kweker, which was acquired in 2019, was accelerated and completed and we have made substantial progress in our Next-Gen Cash-and-Carry programme which has enabled us to stimulate sales and make our cash-and-carry more future-proof.

Belgium

The preparation for the arrival of a new ERP landscape was and still is high on the agenda for Belgium. Numerous preliminary processes have been completed to make the transition easier and more controlled in 2021. Work has naturally also been done on further expanding our commercial capability by developing and introducing concepts targeted at specific customer segments, harmonising the range of products in Belgium and continuing to integrate the logistics network into that of the Group. Significant operational efforts have been made in the cash-and-carry stores, which will benefit both the quality of our service to our customers and the returns for the Group.

Results

The development of the gross profit margin was severely affected by shifts in the operational mix in 2020. Our gross profit margin came under pressure due partly to the increase in sales of tobacco products and partly to the decrease in volume of services to Heineken. In addition, our need to suddenly downscale and upscale our inventory during the lockdowns led to a greater gap of approximately €3 million compared to last year. These oppressive effects were largely compensated by positive mix effects in our sales channels and between customer segments and by improvements in procurement conditions.

If we omit the non-recurring, non-cash impairments, costs decreased by €66 million. As a percentage of net sales, that is an increase of 2.0% to 25.0%.

Personnel costs were €45 million lower than in the previous year. In response to the fall in net sales, we have reduced our flexible supply of temporary staff to a minimum in the Netherlands and Belgium and only filled vacancies to a limited degree. Besides that, we took advantage of the NOW[1)] 1.0 and NOW 3.1 wage subsidy schemes made available in the Netherlands, which together provided us with assistance worth €22 million. In Belgium, we took advantage of the wage subsidy scheme there, TWO[2)], which gave us approximately €4 million. A restructuring provision of approximately €2 million was made in Belgium in relation to the forthcoming closure of Ocean Maree.

Logistics costs decreased by €26 million compared to the previous year. Transport costs increased as a percentage of the delivery service net sales, due to less efficient transport caused by a decline in sales in the delivery service channel. We were however able to continue serving our customers by means of smaller drops. We supported our transport partners by compensating them in the weeks in which the fleet was largely inactive. An item amounting to €2 million has been included for this under logistics costs.

Sales costs declined by €3 million compared to the previous year. The cost of doubtful debts increased by over €1 million. Where possible, we facilitated our customers by offering payment agreements in the form of deferring or spreading costs. That trust we placed in them has certainly not been betrayed given that almost all these customers paid their outstanding balances in line with agreements as soon as they could. By making targeted decisions with regard to our marketing expenditure, we were able to make considerable savings compared to last year. Impairments rose by €61 million compared to 2019. This included decommissioning assets and software in addition to the impairment in Belgium in mid-2020.

Depreciation and amortisation increased by €7 million compared to a year earlier. Of that, €3 million related to the increase in lease-related amortisation as a consequence of the sale and lease-back transactions arranged for our new delivery service sites in recent months. Furthermore, investments in machinery and equipment specifically for delivery services, as well as the start of the amortisation of our new SAP Hybris web environment from mid-2020 yielded an increase of €4 million.

Other operating income decreased by €9 million compared to 2019. Last year, we received €5 million in payments for services to the consortium that bought EMTÉ from us. Our rental income fell by €1 million, while book profit from sales transactions for vacant property and unused assets was €1 million lower than in the previous year.

Net profit from 'continuing operations' amounted to a loss of €70 million in 2020.
Earnings per share amounted to a loss of €1.59 compared to a profit of €0.78 in 2019. Given the 2020 results and the uncertainty about the coming months, recovery of our financial position will take priority, as communicated earlier, and there are insufficient grounds to pay a dividend for the 2020 calendar year.
Furthermore we took advantage of the Dutch government's NOW wage subsidy schemes, and one of the conditions for NOW 3.1 was a ban on dividends for 2020.

From the moment we became aware of the impact of COVID-19 on our net sales and results, we shifted the organisation's emphasis to cash flow. Cost savings, lowering our operating capital and postponing investments were our most important managerial instruments. In addition, we took advantage of the support made available by the governments of the Netherlands and Belgium, such as the NOW and TWO wage subsidy schemes and deferral of taxation payments.

We have generated a free cash flow of €67 million, which has enabled us to lower our net interest-bearing debt. At year-end, therefore, we were able to remain below the level of the covenants agreed with our financiers, making the broader-based covenants we had agreed with them unnecessary for now. Agreements have already been made with our financiers, which will afford us greater scope in 2021. Our objective of, above all, protecting our financial position has therefore been met.
This position will enable us to face up to the challenging start to 2021 and there is scope to cope with setbacks should that be necessary.

Outlook

The lockdown in the Netherlands and Belgium will continue at the start of the year and its impact on our sales markets will be similar to that in 2020. That said, now that vaccinations have started in increasing numbers of countries it looks as if we are embarking on a route to recovery and if successful, the uncertainty and restrictions in our sales markets should decrease. Although we expect the direct impact of COVID-19 could be followed by the effects of a recession, we believe that consumers will quickly find their way back to the hospitality sector, amusement parks and theatres after over a year of restrictions. We saw that happen in 2020 when the restrictions were eased somewhat. We do not believe that our sales markets have been fundamentally harmed; they should be able to recover to pre-COVID-19 levels. We expect cost-induced inflation to be limited in 2021.

The Group's focus in 2021 will be on the five important long-term strategic themes, concentrating on our customers and our returns from delivery services, cash-and-carry and our logistics supply chain. Additional steps will be to implement and embed our People Strategy and we expect our new ERP landscape to go live and be rolled out further in Belgium.

Apart from that, we expect to increasingly be able to reap the benefits in 2021 of processes completed in 2020. Increasing our share of net sales to combined Heineken and Sligro customers, the cost benefits from the physical integration of the Heineken operations, the continued development and customer acquisition from our new online environment and the benefits from the integration of De Kweker. All this is reliant on the gradual revival of volumes in 2021.

The recovery of net sales is pivotal for growth in results in 2021 and given the uncertainty about the exact timing of the recovery, we will refrain from making concrete predictions about the result.

The annual report for 2020 will be published on 5 February. Comments on the annual figures will follow today at an online press conference and an online analyst meeting. The presentation that will be given is available at www.sligrofoodgroup.nl.
In our trading update of 22 April 2021, we will go into developments in the first quarter of 2021 in greater detail, and we will publish our interim figures on 22 July 2021.

Veghel, 28 January 2021

On behalf of the Executive Board of Sligro Food Group N.V.

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Attachments

Consolidated statement of profit or loss[1)]

x € million	2020	2019	2018
Continuing operations			
Net sales	**1,946**	**2,395**	**2,346**
Cost of net sales	(1,478)	(1,811)	(1,780)
Gross margin	**468**	**584**	**566**
Other operating income	**4**	**13**	**12**
Employee expenses	(230)	(275)	(275)
Accommodation costs	(31)	(30)	(38)
Costs to sell	(17)	(20)	(17)
Logistics costs	(86)	(112)	(108)
General costs	(33)	(33)	(26)
Depreciation of tangible fixed assets and right-of-use assets	(68)	(60)	(39)
Amortisation of intangible fixed assets	(21)	(22)	(20)
Impairment of tangible fixed assets	(0)	(1)	(2)
Impairment of goodwill and other intangible fixed assets	(62)		
Total operating costs	**(548)**	**(553)**	**(525)**
Operating profit	**(76)**	**44**	**53**
Financing income	0	0	0
Financing expenses	(9)	(7)	(4)
Share in the result of associates	7	5	7
Pre-tax profit (loss)	**(78)**	**42**	**56**
Income taxes	8	(8)	(10)
Profit (loss) from continuing operations	**(70)**	**34**	**46**
Discontinued operations			
Profit (loss) from discontinued operations, after tax		(1)	230
Profit (loss) for the financial year	**(70)**	**33**	**276**
Attributable to shareholders of the company	**(70)**	**33**	**276**

x €	2020	2019	2018
Details per share			
Basic earnings (loss) per share	(1.59)	0.75	6.25
Diluted earnings (loss) per share	(1.58)	0.75	6.25
Basic earnings (loss) per share from continuing operations	(1.59)	0.78	1.04
Diluted earnings (loss) per share from continuing operations	(1.58)	0.78	1.04
Dividend proposed		0.55	1.40
Special dividend			7.57

1) The auditor has not yet completed the 2020 audit and has not yet issued an auditor’s report.

Consolidated statement of comprehensive income[1)]

x € million	2020	2019	2018
Profit (loss) for the financial year	(70)	33	276
Items that have been or may be transferred to the statement of profit or loss:			
Effective part of changes in the fair value of cash flow hedge of long-term borrowings, after tax	1	1	1
Total unrealised profit (loss)	1	1	1
Other comprehensive income for the financial year	**(69)**	**34**	**277**
Attributable to shareholders of the company	**(69)**	**34**	**277**
Comprehensive income to be allocated to:			
Continuing operations	(69)	35	47
Discontinued operations		(1)	230
Comprehensive income for the financial year	**(69)**	**34**	**277**

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Consolidated statement of cash flows[1)]

x € million	2020[2]	2019[2]	2018[2]
Net sales from customers	2,313	2,749	3,023
Net sales from other operating income	1	7	11
	2,314	**2,756**	**3,034**
Payments to suppliers	(1,940)	(2,324)	(2,610)
Payments to employees	(129)	(131)	(165)
Payments to the government[3)]	(150)	(166)	(184)
	(2,219)	**(2,621)**	**(2,959)**
Net cash flow from business operations	95	135	75
Interest paid	(5)	(7)	(3)
Dividends received from participations	4	5	7
Income tax received (paid)	5	(1)	(34)
Net cash flow from operating activities	**99**	**132**	**45**
Acquisitions/participations	0	(52)	
Divested operations	1	1	348
Expenditure for investments in tangible fixed assets	(46)	(105)	(76)
Proceeds from disposal of tangible fixed assets/assets held for sale	62	46	83
Expenditure for investments in intangible fixed assets	(24)	(20)	(24)
Investment in/loans to associates	(2)		
Repayments by/net divestment receipts from associates	1	3	0
Net cash flow from investing activities	**(8)**	**(127)**	**331**
Long-term borrowings drawn		50	
Repayments on long-term borrowings	(67)	(14)	(11)
Change in own shares	1	(1)	5
Lease liabilities paid	(23)	(18)	
Dividend paid		(62)	(397)
Net cash flow from financing activities	**(89)**	**(45)**	**(403)**
Change in cash, cash equivalents and short-term borrowings from credit institutions	**2**	**(40)**	**(27)**
Opening balance	(7)	33	60
Closing balance	**(5)**	**(7)**	**33**

1) The auditor has not yet completed the 2020 audit and has not yet issued an auditor's report.

2) Contains the cash flows from both continuing and discontinued operations.

3) Contains €19 million of NOW wage subsidy schemes received from the government.

Consolidated statement of financial position[1)]

x € million	31 December 2020	28 December 2019	29 December 2018
Assets			
Goodwill	125	168	155
Other intangible fixed assets	147	163	137
Tangible fixed assets	299	362	313
Right-of-use assets	216	176	
Investments in associates	54	50	53
Other financial fixed assets	8	10	12
Deferred tax assets	2		
Total fixed assets	**851**	**929**	**670**
Inventories	188	230	217
Trade and other receivables	110	228	236
Other current assets	31	46	33
Income tax	1	3	16
Cash and cash equivalents	13	19	33
	343	**526**	**535**
Assets held for sale	2	0	9
Total current assets	**345**	**526**	**544**
Total assets	**1,196**	**1,455**	**1,214**
Liabilities			
Paid-up and called-up capital	3	3	3
Reserves	429	497	534
Shareholders' equity	**432**	**500**	**537**
Deferred tax liabilities	22	26	27
Employee benefits provision	2	2	2
Other provisions	0	0	0
Long-term borrowings from credit institutions	160	160	186
Lease liabilities	218	174	
Total non-current liabilities	**402**	**362**	**215**
Provisions	3	8	16
Repayment obligations		77	14
Short-term borrowings from credit institutions	18	26	
Lease liabilities	19	15	
Accounts payable	217	350	339
Income tax	1	0	0
Other taxes and social security contributions	37	33	19
Other liabilities and accruals and deferred income	67	84	74
Total current liabilities	**362**	**593**	**462**
Total liabilities	**1,196**	**1,455**	**1,214**

1) The auditor has not yet completed the 2020 audit and has not yet issued an auditor's report.

Consolidated statement of movements in shareholders' equity[1)]

x € million	Paid-up and called-up capital	Share premium	Other reserves	Hedging reserve	Share repurchase reserve	Total
Balance as at 29 December 2018	**3**	**31**	**511**	**(2)**	**(6)**	**537**
IFRS 16 accounting policy change			(10)			(10)
Opening balance as at 30 December 2018	**3**	**31**	**501**	**(2)**	**(6)**	**527**
Share-based payments			1			1
Dividend payment			(62)			(62)
Change in own shares					0	0
Transactions with owners	0	0	(61)	0	0	(61)
Profit (loss) for the financial year			33			33
Cash flow hedge				1		1
Total realised and unrealised profit (loss)	0	0	33	1	0	34
Balance as at 28 December 2019	**3**	**31**	**473**	**(1)**	**(6)**	**500**
Share-based payments						
Dividend paid						
Change in own shares					1	1
Transactions with owners	0	0	0	0	1	1
Profit (loss) for the financial year			(70)			(70)
Cash flow hedge				1		1
Total realised and unrealised profit (loss)	0	0	(70)	1	0	(69)
Balance as at 31 December 2020	**3**	**31**	**403**	**0**	**(5)**	**432**

1) The auditor has not yet completed the 2020 audit and has not yet issued an auditor's report.

Segment reporting[1)]

x € million	Netherlands 2020	Netherlands 2019	Belgium 2020	Belgium 2019	Group 2020	Group 2019
Net sales	1,777	2,166	169	229	1,946	2,395
Gross margin as % of net sales	24.0	24.6	24.5	22.2	24.0	24.4
Gross operating profit (EBITDA)	78	130	(3)	(3)	75	127
Operating profit (loss) before amortisation (EBITA)	18	76	(11)	(10)	7	66
Operating profit (loss) (EBIT)	(3)	57	(73)	(13)	(76)	44
Net profit (loss)	(3)	45	(67)	(11)	(70)	34
Average net invested capital	760	756	92	117	852	873
EBITDA as % of net sales	4.4	6.0	(1.7)	(1.3)	3.9	5.3
EBIT as % of net sales	(0.1)	2.6	(43.3)	(5.7)	(3.9)	1.8
EBITA as % of average net invested capital	10.4	17.1	(3.2)	(2.5)	8.9	14.5
EBIT as % of average net invested capital	(0.3)	7.6	(79.7)	(11.1)	(8.9)	5.0
Free cash flow	72	77	(5)	(39)	67	38
Net investments	11	78	0	7	11	85

[1)] The auditor has not yet completed the 2020 audit and has not yet issued an auditor’s report.

Sligro Food Group profile

Sligro Food Group comprises companies which focus specifically on the food service market in the Netherlands and Belgium, and offer a comprehensive range of food and food-related non-food products and services to the wholesale market.

Netherlands
In the Netherlands, we are the market leader and operate a nationwide network of Sligro cash-and-carry and delivery service wholesale outlets serving large and small-scale companies in the hospitality industry, leisure facilities, caterers, large-volume users, company restaurants, petrol stations, small and medium-sized enterprises, small retail businesses, and the institutional market. Van Hoekel focuses specifically on the institutional market, while Sligro serves all the other segments. We operate in the City Region of Amsterdam under the wholesale formula brand 'De Kweker'. In a long-term strategic partnership with Heineken, Sligro is responsible for the exclusive distribution of Heineken keg beer in the Netherlands. Sligro/De Kweker and Van Hoeckel each have a dedicated commercial organisation focusing on their specific markets, while they make operational use of joint delivery and other shared networks and the back-office organisation.

Belgium
In Belgium, JAVA Foodservice, based in Rotselaar, focuses primarily on the institutional, corporate catering and hotel chain market segments in Belgium. Sligro-ISPC supplies high-quality, innovative food and non-food products to culinary professionals, the rest of the hospitality market, wholesale customers and small and medium-sized enterprises. Sligro-ISPC operates combined cash-and-carry and wholesale delivery service outlets in Antwerp, Ghent and Liege. Sligro-ISPC and JAVA Foodservice both have their own commercial organisation and are increasingly making use of a single joint delivery service structure and shared services.

Sligro Food Group has its own production facilities for specialist convenience products and fresh fish. The company also sources meat, game and poultry, fruit and vegetables, and bread and pastries through its participations in fresh-produce partners, which serve both the Dutch and Belgian market.

Sligro Food Group has two specialist companies. Bouter for advertising, design, delivery, fitting out and maintenance of professional kitchen layouts, equipment and cooling and freezing technologies. Tintelingen is our business unit for online gift concepts and Christmas gifts. Sligro also sells traditional Christmas hampers.

We offer our customers a selection of around 75,000 food and food-related non-food items, together with numerous services to support our customers' businesses and help them to advance. Most of the purchasing for specific food service products is handled directly through the Sligro Food Group, although a portion is arranged through CIV Superunie B.A.

Sligro Food Group companies actively seek to share knowledge and make good use of the extensive scope for synergy and economies of scale on a national and international level. Activities that are primarily customer-related are carried out in the separate countries and business units. By combining our central purchasing with direct, meticulous category and margin management, we aim to continuously improve our gross margins and offer our customers a unique and innovative range. Operating expenses are managed by having an integrated supply chain and through constant focus on cost control. Centralised management of our IT landscape, centralised design and control of master data management, and centralised talent and management development all work to further enhance group synergy.

Sligro Food Group strives to be a high-quality business for all its stakeholders that constantly grows in a controlled manner. Sligro Food Group shares are listed on Euronext Amsterdam. The Group's head office is located in Veghel, Netherlands.