Sligro Food Group N.V.

Press release
2022 half-year figures

Recovery of revenue and result, dividend policy reinstated

Group revenue for the first half of 2022 totalled €1,129 million, an increase of 43.3% compared to the same period in 2021 (Q2: increase of 43.7%). Group EBITDA increased by €30 million to €65 million. Net profit for the first six months was €23 million.

Koen Slippens, CEO

"The recovery of our sales markets in the Netherlands and Belgium was already apparent in the first quarter, followed by further strong performance in the second quarter. This was partly attributable to rising price inflation (roughly 7% in the first half of the year), but there was also a sharp increase in volumes. Although the level of consumer confidence in the Netherlands and Belgium would seem to suggest otherwise, spending in the hospitality industry, at amusement parks and at nightlife venues continued to rise month on month. The events sector was also back in business and operating at full capacity.

We are very pleased to see this strong recovery, although the massive scaling up it requires has also led to major operational challenges. Solving supply chain scarcity, staff shortages, transport capacity shortages and coping with the high inflationary pressure on products and services requires the full attention and commitment of our people and partners. Our customers face similar problems. We have tremendous respect for our customers, colleagues and partners who give their all every day to achieve the best possible result under these circumstances, even if that result sometimes falls short of the level we all strive for under ideal circumstances.

The aforementioned effects are also clearly evident in our results. Revenue, margin and costs all rose sharply, but on balance we were able to turn last year's net loss excluding book profit of €7 million into a net profit excluding book profit of €7 million for the first half of the year.

Key figures
for the first half-year

x € million	2022	2021
Revenue	1,129	788
Organic revenue growth as %	43.3	(16.5)
Gross operating result (EBITDA)	65	35
Operating result before amortisation (EBITA)	36	4
Operating result (EBIT)	25	(5)
Net profit (loss)	23	(4)
Net profit (loss) excluding book profit	7	(7)
Free cash flow[1]	(7)	40
Earnings (loss) per share (x €1)	0.53	(0.09)

x € million	30 June 2022	31 December 2021
Net invested capital	807	805
Net interest-bearing debts	363	382

[1] The free cash flow has been adjusted for the impact of lease liabilities paid under IFRS 16

In the light of this strong return to profit and our strengthened financial position, we feel we have the scope we need to reinstate our dividend policy. We have decided to pay an interim dividend of €0.30 per share later this year.

In respect of the second half of the year, we do not expect that a recession or re-emergence of COVID-19 will have a significant impact, although we have action plans ready should that happen. The main focus will lie on stabilising our operations after the turbulent restart. This will also be beneficial in terms of controlling costs. We are optimistic and full of energy as we start the second half of the year, because things are going well, but still require our close attention and input!"

General

Most of our efforts in the first half of the year focused on the restart of our sales markets in the Netherlands and Belgium. The speed and extent of that recovery led to operational pressures and highlighted shortages of staff and goods, and a lack of transport capacity. The war in Ukraine and its effects on the availability of specific commodity products and energy prices reinforced this. Our colleagues and partners pulled out all the stops to provide the highest possible level of service to our customers under those difficult conditions.

Inflation in 2022 is high, as we expected. The purchase prices for various goods have already been increased several times this year, and services that we purchase, such as transport, also became significantly more expensive. Although we have compensated by improving efficiency where possible, we have still had to pass on the lion's share of those increases in the prices we charge our customers.

In the first half of the year, we chose to give priority to our operations and the challenges we faced in this area. Our vision for the long-term strategic initiatives remains unchanged, but the associated actions will start later and extend over a somewhat longer period of time. Although time was devoted to working out and further detailing our ambitions in the areas of CSR, digitalisation and organisational development, initiating concrete plans for the coming years will not start until after the summer.

This does not apply to the development and roll-out of our new technical infrastructure, including SAP. A committed and passionate team of colleagues and partners in the Netherlands and Belgium continue to build, test and prepare for the new landscape. There is already a robust system in place, which has been thoroughly tested, and an interim upgrade to a new release in May went smoothly and showed that we have stayed close to the standard. Positive signals, in other words, but of course the purpose of the exercise is to go live with the new system and we are not there yet.

The necessity and added value of a single uniform landscape in Belgium, and in the Netherlands also at a later stage, is clear to us and we see it as an important prerequisite for controlled growth, both now and in the future. It is also crucial to ensuring that our customers, particularly those in Belgium, can do business with Sligro Food Group smoothly and conveniently. That transition comes with its own set of complexities, and the turmoil in our markets over the past few years has not been conducive to fast completion either. Apart from the lack of a single uniform system, this exercise entails additional expenses in terms of both programme investments and also higher operational costs for as long as we have old and new systems running, or under development, alongside each other. We see and are experiencing the high added value of the components that have already gone live (the website and the item master data environment) on a daily basis and that reinforces our confidence in the positive effects of the remaining components.

Results

Most of the restrictive measures to contain COVID-19 were lifted in February this year, in stark contrast to the situation last year when containment measures were in place in the Netherlands and Belgium during the entire first six months. With the exception of catering and healthcare, revenue is above pre-COVID levels in all customer segments.

Revenue in the Netherlands increased by €307 million to €1,026 million in the first half of the year. In our cash-and-carry outlets, revenue excluding tobacco products increased by more than 10% compared to a year earlier, and, in the delivery services segment, revenue excluding tobacco products doubled relative to the first half of last year.

Revenue in Belgium was up €34 million at €103 million for the first half of the year. JAVA, which is traditionally strong in healthcare, saw revenue increase by 37% compared to a year earlier. At Sligro-ISPC we saw growth of 65% compared to last year.

Revenue from tobacco products fell by €11 million in the first half of the year. The continued decline in revenue from tobacco products, combined with the recovery in other revenue, brought the share of tobacco products below 9%.

The gross profit margin increased by 2.9% due, among other factors, to the effects in the second half of 2021 that we mentioned previously: a lower tobacco products share, the new collaboration with our partner Smeding, the recovery in revenue from services in relation to our partner Heineken and better inventory control. Passing on price increases in respect of our goods procurement has a slight negative effect on the relative margin. The price rises to cover cost inflation lead to an increase in the relative gross profit margin.

Costs as a percentage of revenue have increased, as mentioned previously, by a fairly significant 2.6% compared to last year. Employee expenses increased due to the increased level of activity and last year we used €30 million from the NOW and TWO wage subsidy schemes to reduce costs in compensation for the impact of lower revenue. Logistics costs also rose sharply due to the growth in revenue from deliveries, but also due to sharp increases in the rates charged by carriers. The wage costs of drivers, the price of diesel, overall inflation on other costs, and also the extra use of foreign drivers (including hotel costs and extra Dutch-speaking co-drivers) and couriers to meet demand drove up logistics costs.

As stated in the Q1 trading update, other operating income was higher than last year due to a one-off untaxed book profit of €16 million resulting from the sale of our minority stake in Smeding. Last year, we realised a book profit of €4 million when we sold our former Van Hoeckel site in 's-Hertogenbosch.

As a result of the above, EBITDA rose by €30 million compared to last year, to €65 million, which is equivalent to 5.8% of revenue. EBIT also increased by €30 million, resulting in a profit of €25 million.

Financial position

Our financial position strengthened further again in the first half of 2022. The operating result improved, and we used some of that financial leeway to put additional inventory buffers in place in order to handle supply chain disruptions more effectively and thereby continue to serve our customers.

Compared to recent years, we invested more in converting our stores, in our IT & data infrastructure and in software development. Total investments in the first half of the year came to €30 million.

On balance, this resulted in a negative free cash flow of €7 million. In addition, the sale of our minority stake in Smeding led to a one-time cash inflow of €18 million.

We are in the final stages of optimising our financing structure with our main bank. The basic principle here is to maintain sufficient financial buffers for acquisitions, and also ensure sufficient liquidity for coping with emergencies in the years ahead, while at the same time reducing interest expenses and costs where possible. The formalities in this regard are expected to be completed in July, but in anticipation of this we made an additional €20 million repayment against our long-term facilities in June.

Our net interest-bearing debt (excluding leases) declined further to €137 million. As a result, the net interest-bearing debt/EBITDA ratio fell to 1.2, which amply meets the target agreed in our covenants.

Dividend

Based on the 2022 half-year results, our strong financial position and our expectations for the rest of 2022, it was decided to pay an interim dividend, in accordance with our dividend policy. The interim dividend amounts to €0.30 per share and will be payable on Monday 3 October 2022. The ex-dividend date is Wednesday 21 September 2022 and the record date is Thursday 22 September 2022.

Outlook

Consumer confidence is at a low level but, based on the trend of recent months, now appears to be stabilising somewhat in the Netherlands and Belgium. Inflation remains high and increasingly has an impact on consumers in the form of rising prices for pretty much all products and services.

In the period before COVID-19, we would have already seen a reversal in spending on out-of-home consumption as a result of these developments, but there are currently no signs of a slowdown of that nature as yet.

The current low rate of unemployment (or high job and income security) seems to be a strong compensating factor. Due to these aspects, it is difficult to predict whether, and if so when, signs of recession will start to emerge in our sales markets. All the more so in view of the cushioning effect of hospitality capacity underutilisation due to huge staff shortages, which means that a high percentage of latent consumer demand cannot currently be met.

In the second half of the year, we expect to maintain activity at the current level, but remain vigilant for signs of weakening growth. After two years of scaling up and down due to COVID-19, we know all too well what action is needed if we are forced to put a brake on our activities and are flexible in that regard. This also applies if we are unlucky enough to see an increase in the rate of COVID-19 infections in the autumn and winter.

Inflation will remain high in the second half of the year, although we expect the 2021 baseline for comparison to lead to a relative decline in inflation during the course of the second half of the year. A new collective labour agreement, valid to the end of 2023, has been reached in our sector. Under the terms of that agreement, a pay increase of 3.0% came into effect on 1 July 2022, and a further 1.5% increase is due on 1 February 2023. Transport costs rose significantly in the first half of the year, and the link to the price of diesel at the pump will mainly determine developments in the second half of the year. We expect to be able to implement improvements to efficiency when a degree of stability returns to the market and partially offset the cost increases. In addition, within the framework of the agreements with our customers, price increases that we cannot compensate for will be passed on to the market.

Although we will continue to operate in a turbulent environment associated with some uncertainty in the coming period, we look ahead to the second half of the year with a feeling of confidence. Our customers, colleagues and partners are now very adept at dealing with these difficult circumstances and all know where to concentrate their efforts.

We are refraining from making any firm forecasts about the results for the second half of the year.

Comments on the half-year figures will follow today at an analyst meeting. The presentation has been published on www.sligrofoodgroup.nl/en.

The trading update for the third quarter will be published on 20 October.

Veghel, 21 July 2022

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

Koen Slippens, CEO
Rob van der Sluijs, CFO

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Appendices

Statement of directors' responsibilities

The Directors declare that, to the best of their knowledge:

1. the half-year financial statements, as shown on pages 7 to 12 of this report, give a true and fair view of the assets, liabilities, financial position, and profit or loss of Sligro Food Group N.V. and the undertakings included in the consolidation taken as a whole; and

2. the half-year report, as shown on pages 1 to 4 of this report, gives a true and fair view of the development and performance of the business and the position of Sligro Food Group N.V. and the undertakings included in the consolidation taken as a whole (details of which are included in the half-year financial statements) on the reporting date. The half-year report also gives a true and fair view of the expected development and performance of the business, the investments and the conditions on which the development of revenue and return depend.

Koen Slippens, CEO
Rob van der Sluijs, CFO

Consolidated statement of profit or loss

for the first six months

x € million	2022	2021	2020
Revenue	**1,129**	**788**	**943**
Cost of sales	(825)	(599)	(722)
Gross profit	**304**	**189**	**221**
Other operating income	**17**	**4**	**3**
Employee expenses	(149)	(92)	(114)
Premises costs	(16)	(14)	(16)
Selling costs	(8)	(1)	(9)
Logistics costs	(65)	(35)	(41)
General and administrative expenses	(18)	(16)	(17)
Depreciation of property, plant and equipment and right-of-use assets	(29)	(31)	(34)
Amortisation of intangible assets	(11)	(9)	(10)
Impairment of property, plant and equipment		(0)	
Impairment of goodwill and other intangible assets			(62)
Total operating costs	**(296)**	**(198)**	**(303)**
Operating result	**25**	**(5)**	**(79)**
Finance income	0	0	0
Finance costs	(3)	(4)	(4)
Share in the result of associates	3	3	1
Pre-tax profit (loss)	**25**	**(6)**	**(82)**
Income taxes	(2)	2	10
Net profit (loss)	**23**	**(4)**	**(72)**

x €	2022	2021	2020
Details per share			
Basic earnings (loss) per share	0.53	(0.09)	(1.63)
Diluted earnings (loss) per share	0.53	(0.09)	(1.63)

Consolidated statement of comprehensive income

for the first six months

x € million	2022	2021	2020
Net profit (loss)	23	(4)	(72)
Items that have been or may be reclassified to profit or loss:			
Cash flow hedges, after tax			1
Other comprehensive income that will be reclassified to profit or loss, after tax	0	0	1
Comprehensive income	**23**	**(4)**	**(71)**
Comprehensive income attributable to shareholders of the company	**23**	**(4)**	**(71)**

Abridged consolidated statement of cash flows

for the first six months

x € million	2022	2021	2020
Net cash flow from business operations	35	57	19
Interest paid	(1)	(1)	(3)
Dividends received from participations	6	3	0
Income tax received (paid)	(4)	1	2
Net cash flow from operating activities	**36**	**60**	**18**
Acquisitions of subsidiaries			
Proceeds from sales of subsidiaries	0		1
Purchase of property, plant and equipment	(16)	(5)	(32)
Proceeds from disposal of property, plant and equipment	0	5	61
Purchase of intangible assets	(14)	(10)	(11)
Purchase of interests in and loans to associates			
Other receipts from sales of interests in and repayment of loans by associates	18	2	
Net cash flow from investing activities	**(12)**	**(8)**	**19**
Long-term borrowings drawn		0	
Repayments on long-term borrowings	(20)		(0)
Change in treasury shares	0	1	1
Lease liabilities paid	(12)	(12)	(9)
Dividend paid			
Net cash flow from financing activities	**(32)**	**(11)**	**(8)**
Change in cash, cash equivalents and short-term borrowings	**(8)**	**41**	**29**
Opening balance	11	(5)	(7)
Mid-year balance	**3**	**36**	**22**

Consolidated statement of financial position

x € million	30 June 2022	31 December 2021	30 June 2021
Assets			
Goodwill	125	125	125
Other intangible assets	146	146	149
Property, plant and equipment	278	282	283
Right-of-use assets	204	211	210
Investments in associates	52	55	54
Other non-current financial assets	7	7	8
Deferred tax assets		0	
Total non-current assets	**812**	**826**	**829**
Inventories	264	226	212
Trade and other receivables	208	131	118
Other current assets	42	36	43
Income tax		0	6
Cash and cash equivalents	13	12	36
	527	**405**	**415**
Assets held for sale	0	2	
Total current assets	**527**	**407**	**415**
Total assets	**1,339**	**1,233**	**1,244**
Liabilities			
Paid-up and called-up capital	3	3	3
Share premium	31	31	31
Other reserves	(4)	(4)	(4)
Retained earnings	446	423	399
Total equity	**476**	**453**	**429**
Deferred tax liabilities	16	22	24
Employee benefits provision	2	2	2
Other non-current provisions	0	0	0
Long-term borrowings	110	160	160
Non-current lease liabilities	207	214	213
Total non-current liabilities	**335**	**398**	**399**
Current provisions	0	0	1
Current portion of long-term borrowings	30		
Short-term borrowings	10	1	
Current lease liabilities	20	20	19
Trade and other payables	365	255	266
Income tax	7	3	
Other taxes and social security contributions	24	22	64
Other liabilities, accruals and deferred income	72	81	66
Total current liabilities	**528**	**382**	**416**
Total liabilities	**1,339**	**1,233**	**1,244**

Consolidated statement of changes in shareholders' equity

x € million	Paid-up and called-up capital	Share premium	Other reserves	Retained earnings	Total
Balance as at 31 December 2020	**3**	**31**	**(5)**	**403**	**432**
Share-based payments					
Dividend paid					
Treasury share transactions			1		1
Transactions with owners	0	0	1	0	1
Profit (loss) for the financial year				20	20
Cash flow hedge					0
Total realised and unrealised results	0	0	0	20	20
Balance as at 31 December 2021	**3**	**31**	**(4)**	**423**	**453**
Share-based payments					
Dividend paid					
Treasury share transactions			0		0
Transactions with owners	0	0	0	0	0
Profit (loss) for the first half-year				23	23
Total realised and unrealised results	0	0	0	23	23
Balance as at 30 June 2022	**3**	**31**	**(4)**	**446**	**476**

Notes to the consolidated 2022 half-year financial statements

General

Sligro Food Group N.V. is located in Veghel, Netherlands. The consolidated half-year financial statements cover the Company and its subsidiaries (also referred to as the Group).

Statement of compliance

This half-year report has been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and IAS 34 Interim Financial Reporting. It does not contain all the information required for full financial statements and should be read in conjunction with the consolidated financial statements for 2021.

Audit

This half-year report has not been audited.

Accounting policies applied in the preparation of the half-year financial statements

The accounting policies applied by the Group in this half-year report are the same as those applied to the consolidated financial statements for the 2021 financial year.

Seasonal effects

Revenue is subject to a seasonal pattern. Under normal circumstances, revenue in the second half of the year is higher than in the first half. This is mainly due to relatively high expenditure in the food service channel in the Christmas period, followed by relatively low expenditure at the start of the new year. Because this variation in revenue is also accompanied by a shift in the sales mix, profitability in the second half of the year is generally higher than in the first.

Segment reporting
for the first half-year

	Netherlands		Belgium		Group	
x € million	2022	2021	2022	2021	2022	2021
Revenue	1,026	719	103	69	1,129	788
Gross profit as % of revenue	27.3	23.9	23.5	25.3	26.9	24.0
Gross operating result (EBITDA)	67	38	(2)	(3)	65	35
Operating result before amortisation (EBITA)	42	11	(6)	(7)	36	4
Operating result (EBIT)	31	2	(6)	(7)	25	(5)
Net profit (loss)	28	2	(5)	(6)	23	(4)
Average net invested capital	729	732	53	64	782	796
EBITDA as % of revenue	6.6	5.2	(2.0)	(3.7)	5.8	4.4
EBIT as % of revenue	3.1	0.2	(5.8)	(10.3)	2.3	(0.7)
EBITDA as % of average net invested capital	19.3	11.7	(1.8)	(4.6)	17.9	10.4
EBIT as % of average net invested capital	8.4	1.4	(9.1)	(20.1)	7.2	(0.3)
Free cash flow[1)]	2	40	(9)	0	(7)	40
Net investments	26	(9)	1	(1)	27	(10)

[1)] The free cash flow has been adjusted for the impact of lease liabilities paid under IFRS 16.

Profile

Sligro Food Group consists of companies that specifically focus on the food service market in the Netherlands and Belgium by offering a comprehensive range of food and food-related non-food products and services in 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 supplying 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-scale retail businesses and the institutional market. Van Hoeckel focuses specifically on the institutional market, while Sligro serves all the other segments. We operate in the City Region of Amsterdam under the wholesale format 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 within the Belgian food service market. 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, and bread and pastries through its participations in fresh partners, which serve both the Dutch and Belgian market.
Sligro Food Group has two specialist companies: Bouter for advice, design, delivery, installation and maintenance of professional kitchens, kitchen equipment and refrigeration and freezing equipment. 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 78,000 food and food-related non-food items, together with numerous services to support our customers' businesses and help them to advance. Most of the procurement 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 separately in each country and business unit. By combining our central procurement with direct, meticulous category and margin management, we aim to continuously improve our gross margins and offer our customers a unique and innovative product range. Operating expenses are kept under control by having an integrated supply chain and through our 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.