Sligro Food Group N.V.

Press release
2021 annual figures

As stated in our press release on revenue dated 5 January 2022, Sligro Food Group N.V.'s annual revenue for 2021 amounted to €1,898 million, a decrease of 2.5% compared to the €1,946 million in revenue that we achieved in 2020. Net profit for the financial year was €20 million, up €90 million compared to the previous year.

Koen Slippens, CEO

"Our expectations last year regarding the impact COVID-19 would have on our markets and results in 2021 only partially materialised. On the positive side, when the restrictive measures ended, a pent-up wave of consumers in the Netherlands and Belgium started attending events and going to bars, restaurants, hotels, amusement parks and theatres again. On the negative side, and contrary to our expectations, the emergence of the Delta and later the Omicron variants prevented the strong recovery we saw in the summer from continuing into the second half of the year. Inconsistent decision-making, and the lack of effective action based on lessons learned on the part of the government did nothing to improve this.

Year-on-year comparisons are meaningless in view of the COVID-19 pandemic, however it is clear that we have gained market share in both the Netherlands and Belgium during the past two years. Our resilience as an organisation, rooted in a culture of entrepreneurship and resolute action, again proved to be a huge asset in 2021. We have immense respect for the way in which our colleagues and our customers effectively and speedily responded to each new development related to COVID-19. With that strong base in mind, we can look forward to the future with great confidence.

Measures to cut costs and constraints in our investment agenda ensure that we can maintain profitability at a lower level of revenue, and further reduce our debt position. We once again made use of the support programmes offered by the government this year. Due to the associated conditions, we are unable to pay a dividend for 2021."

Key figures

x € million	2021	2020
Revenue	1,898	1,946
Organic revenue growth (%)	(2.5)	(20.5)
Gross operating result (EBITDA)	109	75
Operating result before amortisation (EBITA)	49	7
Operating result (EBIT)	25	(76)
Net profit (loss)	20	(70)
Net profit (loss) excluding impairment	23	(14)
Free cash flow[1]	15	67
Net invested capital	805	802
Net interest-bearing debts	382	402
Earnings (loss) per share (x €1)	0.45	(1.59)
Dividend per share (x €1)	-	-

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

In line with our '2025 Strategy', we will focus in 2022 on six key multi-year strategic themes, which will allow us to reap the benefits of the efforts made in previous years through a calm supply chain. We will concentrate on increasing revenue from existing customers as we seek to rebuild both revenue and returns post-COVID. We will continue the fine-tuning and roll-out of our new ERP landscape in Belgium. We will also maintain a strong focus on developing and exploiting our online proposition, to improve both the customer experience and marketing impact. At the same time, we will draw up the roadmap for a further digital transformation of Sligro Food Group over the next few years. Through our People Strategy, plenty of attention will again be paid to people and organisation. That applies not only to our current staff members, but also – by improving our positioning and communications in the labour market – to the new colleagues who join us. In terms of sustainability, we will develop a more focused long-term agenda, while also preparing for the new reporting requirements that will come into force in the near future.

Netherlands

We were unable to influence the general fall in demand due to the COVID-19 measures in our market, but thanks to our broadly-based customer portfolio, the combination of cash-and-carry and delivery services, and an entrepre-neurial, positive attitude towards our customers, we performed better than many of our competitors and gained market share in almost all market segments.

After completing the integration of Heineken in terms of infrastructure and technology in 2020, we managed to migrate almost all customers to that new structure in 2021. And when the hospitality industry reopened, the benefits of all that effort were immediately apparent. Our customers are extremely appreciative of the new, integrated ordering environment and combined delivery and invoicing procedures.

Thanks to better integration of our delivery and cash-and-carry operations, we are now able to offer our customers in the regions a higher level of service. That had an immediate positive impact in 2021, when we were able to welcome more new customers in the cash-and-carry segment and increase sales to existing customers. Further improvements to the product range and promotions were made under the ‘Next Gen Cash-and-Carry’ programme and, although we were somewhat hindered by investment constraints due to COVID-19, we also continued the further conversion of cash-and-carry outlets that have not yet been renovated.

Belgium

COVID-19 also had a major impact in Belgium again in 2021. The drop in revenue was significant, particularly in respect of the delivery services and JAVA, which has historically been a major player in the healthcare and catering markets. In general though, we are pleased with the underlying trend and the positive developments achieved in Belgium on our path to sustainable profitability. In 2021, we concentrated mainly on further integrating our activities. We have largely completed harmonisation of the product range offers of ISPC and Sligro and have now made a start on including JAVA's product range as well. Within the supply chain structure, we are taking action to increasingly route that product range through the central distribution centre in Veghel, resulting in higher efficiencies with each new addition. At JAVA, we focused on setting up account management and relationship management, modified Van Hoeckel and Culivers concepts to make them comply with Belgian standards and again devoted a great deal of time to preparing for the introduction of SAP in Belgium.

Results

Expressed as a percentage of revenue, our gross profit increased by 2.3% to 26.3%. This increase was caused partly by shifts in the mix of the different customer segments and between cash-and-carry and the delivery services, and partly by other factors. The decrease in the share of tobacco products accounts for roughly 0.4% of that increase. In 2021, we took over operating responsibility from our fresh partner Smeding. As a result, we now have a higher gross profit, but our costs are higher as well. This change took place at the start of the second quarter and had a positive year-on-year impact on gross profit of 0.3%.

We managed to reduce the negative impact of unsaleable products by €2 million compared to last year. As a percentage of revenue, this led to a 0.1% improvement over last year. The actions we took in 2021 to improve the return on promotions paid off. We once again managed to improve our procurement conditions and we were able to pass on part of the increases in transport, staff and energy expenses in the selling price.

On balance, costs, including depreciation and amortisation, were down €68 million on last year. As a percentage of revenue, that means a decrease of 2.9% to 25.3%. If we omit the impact of impairment in both years, costs decreased by €9 million. As a percentage of revenue, that is an increase of 0.2% to 25.1%. While the reduction in the share of tobacco products and the change to our collaboration with Smeding increased the relative gross profit margin, there was also a relative cost increase of 0.6% of revenue. Comparable costs expressed as a percentage of revenue showed a clear drop.

Employee expenses were €4 million lower than in the previous year. In the Netherlands and Belgium, as in the previous year, we took advantage of the NOW and TWO wage subsidy schemes to compensate for the impact of lower revenue. In 2021, the total value of this support amounted to €29 million (2020: €26 million). Last year in Belgium, we incurred restructuring costs of €2 million for Océan Marée.

Logistics costs increased by €5 million compared to the previous year. This increase was partly caused by a significant rise in the rates charged by our carriers, who were confronted by considerably higher drivers' wages and diesel fuel prices. There were also long periods when the hospitality industry had to limit opening hours and the number of customers on premises. In terms of delivery runs, there is high activity in these phases, but the average drop size is much smaller, which increases the (relative) cost.

Selling costs declined on balance by €7 million compared to the previous year. The cost of doubtful debts decreased by over €2 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. Smarter choices in terms of our marketing activities and even greater flexibility in matching the rhythm of the lockdowns resulted in worthwhile cost reductions. Unfortunately, some of our events for customers had to be cancelled as well, which also had the effect of lowering costs.

Impairment fell by €59 million compared to the previous year. We have had to adjust short-term projections downwards due to the ongoing COVID impact, resulting in an impairment of €3 million for Belgium in 2021. However, given the positive developments in Belgium in 2021 and our forecast for the coming years, we are convinced that we can be operating profitably there within a few years.

Depreciation and amortisation decreased by €8 million compared to a year earlier. The investment constraints that we have imposed on ourselves for almost two years now in response to COVID resulted in a significant decrease in depreciation.

Other operating income increased by €3 million compared to the previous year, while book profit from sales transactions for vacant property and unused assets was €2 million higher than in the previous year. Within the partnership with Heineken, we have now settled some administratively burdensome periodic payments in one lump-sum payment, leading to a one-off income flow of €1 million.

Financial income and expenses increased on balance by €3 million compared to the previous year. Interest and finance costs decreased by €2 million, partly due to the reduced debt position. The result of our participations increased on balance by €1 million.

As a result of the above, net profit came in at €20 million in 2021, an increase of €90 million compared to last year. Earnings per share are calculated on the average number of shares in issue (externally) and amount to a profit of €0.45, compared to a loss of €1.59 in 2020.

In the fourth quarter of 2020, we used the option to defer tax payments. This resulted in a deferred position of €13 million that was settled after the summer of 2021. As of year-end 2021, we no longer have a deferred position. Based on our expectations for the recovery in 2022, we have chosen to anticipate by maintaining our year-end inventories at a higher level in cases where we can do so without exposing ourselves to a significant risk of unsaleable product. That resulted in a higher operating capital at year-end.

The focused choices in our investment programme resulted in a gross investment cash flow of €44 million in 2021 (2020: €72 million). However, this was offset this year by limited income from the sale of decommissioned assets or sale-and-lease-back constructions like those used in 2020. As a result, the net investment cash flow came in at €37 million (2020: €10 million).

We have generated a free cash flow of €15 million on balance, which we used to lower our net interest-bearing debt. As a result, with a ratio of net interest-bearing debt/ EBITDA of 1.8 at year-end, we remained well below the basic covenants agreed with our financiers.

Outlook

The first few months of 2022 will be dominated by the reopening of our sales markets. As of the start of the year, the measures taken to combat COVID-19 in the Netherlands and Belgium are still in full force, which is putting pressure on our revenue and results. However, they are now being gradually eased. Preparing and successfully executing this restart will require a great deal of our attention, given the product and staff shortages in the market.

We expect cost-induced inflation to be significant in 2022. Last year's disruptions to global supply chains and shortages of raw materials will lead to sharp rises in the purchase prices of products and services. On top of this come wage increases due to labour market scarcity and rising energy prices. We expect these price rises to work their way along the chain and ultimately be reflected in consumer prices. Naturally, our procurement teams will assess all price developments keenly and investigate the accuracy of the supporting arguments.

One thing we have learned in the past couple of years is that it is impossible to make predictions during the COVID-19 pandemic. We will therefore refrain from making predictions about how it will affect our annual revenue and results. For the longer term, we remain entirely positive about how our markets will develop and our position within them. We have a strong market position, which is something we believe we can turn to our advantage in a crisis. Based on our multi-year strategy, we see clear opportunities to grow revenue and profitability in both the Netherlands and Belgium. Our cost base has improved and we know exactly how to win and retain extremely attractive customers in both the Netherlands and Belgium.

We are proud of what we have achieved together and have every confidence in our strong potential for achievement in the years to come, based on this powerful position. So our annual theme for 2022 is **Moving forward together!**

We published the 2021 annual report this morning. 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 21 April 2022, we will go into developments in the first quarter of 2022 in greater detail, and we will publish our interim figures on 21 July 2022.

Veghel, 3 February 2022

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

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Appendices

Consolidated statement of profit or loss

x € million	2021	2020	2019
Continuing operations			
Revenue	**1,898**	**1,946**	**2,395**
Cost of sales	(1,400)	(1,478)	(1,811)
Gross profit	**498**	**468**	**584**
Other operating income	**7**	**4**	**13**
Employee expenses	(226)	(230)	(275)
Premises costs	(29)	(31)	(30)
Selling costs	(10)	(17)	(20)
Logistics costs	(91)	(86)	(112)
General and administrative expenses	(40)	(33)	(33)
Depreciation of property, plant and equipment and right-of-use assets	(60)	(68)	(60)
Amortisation of intangible assets	(21)	(21)	(22)
Impairment of property, plant and equipment	(0)	0	(1)
Impairment of goodwill and other intangible assets	(3)	(62)	
Total operating costs	**(480)**	**(548)**	**(553)**
Operating result	**25**	**(76)**	**44**
Finance income	0	0	0
Finance costs	(7)	(9)	(7)
Share in the result of associates	8	7	5
Pre-tax profit (loss)	**26**	**(78)**	**42**
Income taxes	(6)	8	(8)
Profit (loss) from continuing operations	**20**	**(70)**	**34**
Discontinued operations			
Profit (loss) from discontinued operations			(1)
Net profit (loss)	**20**	**(70)**	**33**
Profit (loss) attributable to shareholders of the company	**20**	**(70)**	**33**

x €	2021	2020	2019
Details per share			
Basic earnings (losses) per share	0.45	(1.59)	0.75
Diluted earnings (losses) per share	0.45	(1.58)	0.75
Basic earnings (loss) per share from continuing operations	0.45	(1.59)	0.78
Diluted earnings (loss) per share from continuing operations	0.45	(1.58)	0.78
Dividend proposed	-	-	0.55

Consolidated statement of comprehensive income

x € million	2021	2020	2019
Net profit (loss)	20	(70)	33
Items that have been or may be reclassified to profit or loss:			
Cash flow hedges, after tax		1	1
Other comprehensive income that will be reclassified to profit or loss, after tax		1	1
Comprehensive income	**20**	**(69)**	**34**
Comprehensive income for the financial year	**20**	**(69)**	**34**

Consolidated statement of cash flows

x € million	2021	2020	2019[1]
Receipts from customers	2,162	2,312	2,749
Receipts from other operating income	3	0	7
	2,165	**2,312**	**2,756**
Payments to suppliers	(1,802)	(1,936)	(2,324)
Payments to employees	(128)	(129)	(131)
Payments to the government[2]	(164)	(150)	(166)
	(2,094)	**(2,215)**	**(2,621)**
Net cash flow from business operations	71	97	135
Interest paid	(2)	(5)	(7)
Dividends received from participations	5	4	5
Income tax received (paid)	(1)	5	(1)
Net cash flow from operating activities	**73**	**101**	**132**
Acquisitions of subsidiaries	0	(0)	(52)
Proceeds from sales of subsidiaries	0	1	1
Purchase of property, plant and equipment	(21)	(45)	(105)
Proceeds from disposal of property, plant and equipment	7	62	46
Purchase of intangible assets	(23)	(27)	(20)
Purchase of interests in and loans to associates	0	(2)	
Other receipts from sales of interests in and repayment of loans by associates	2	1	3
Net cash flow from investing activities	**(35)**	**(10)**	**(127)**
Long-term borrowings drawn	0	0	50
Repayments on long-term borrowings	0	(67)	(14)
Change in treasury shares	1	1	(1)
Lease liabilities paid	(23)	(23)	(18)
Dividend paid			(62)
Net cash flow from financing activities	**(22)**	**(89)**	**(45)**
Change in cash, cash equivalents and short-term borrowings	**16**	**2**	**(40)**
Opening balance	(5)	(7)	33
Closing balance	**11**	**(5)**	**(7)**

[1] Contains the cash flows from both continuing and discontinued operations.

[2] Includes the payment of €28 million (2020: €19) received from the government under the NOW wage subsidy scheme.

Consolidated statement of financial position

x € million	31 December 2021	31 December 2020	28 December 2019
Assets			
Goodwill	125	125	168
Other intangible assets	146	149	163
Property, plant and equipment	282	299	362
Right-of-use assets	211	216	176
Investments in associates	55	54	50
Other non-current financial assets	7	8	10
Deferred tax assets	0	2	
Total non-current assets	**826**	**853**	**929**
Inventories	226	188	230
Trade and other receivables	131	111	228
Other current assets	36	30	46
Income tax	0	1	3
Cash and cash equivalents	12	13	19
	405	**343**	**526**
Assets held for sale	2	2	
Total current assets	**407**	**345**	**526**
Total assets	**1,233**	**1,198**	**1,455**
Liabilities			
Paid-up and called-up capital	3	3	3
Share premium	31	31	31
Other reserves	(4)	(5)	(7)
Retained earnings	423	403	473
Total equity	**453**	**432**	**500**
Deferred tax liabilities	22	22	26
Employee benefits provision	2	2	2
Other non-current provisions	0	0	0
Long-term borrowings	160	160	160
Non-current lease liabilities	214	218	174
Total non-current liabilities	**398**	**402**	**362**
Current provisions	0	3	8
Current portion of long-term borrowings			77
Short-term borrowings	1	18	26
Current lease liabilities	20	19	15
Trade and other payables	255	217	350
Income tax	3	1	0
Other taxes and social security contributions	22	37	33
Other liabilities, accruals and deferred income	81	69	84
Total current liabilities	**382**	**364**	**593**
Total liabilities	**1,233**	**1,198**	**1,455**

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 28 December 2019	**3**	**31**	**(7)**	**473**	**500**
Share-based payments					
Dividend paid					
Treasury share transactions			1	0	1
Transactions with owners	0	0	1	0	1
Profit (loss) for the financial year				(70)	(70)
Cash flow hedge			1		1
Total realised and unrealised results	0	0	1	(70)	(69)
Balance as at 31 December 2020	**3**	**31**	**(5)**	**403**	**432**
Share-based payments					
Dividend paid					
Treasury share transactions			1	0	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**

Segment reporting

	Netherlands		Belgium		Group	
x € million	2021	2020	2021	2020	2021	2020
Revenue	1,730	1,777	168	169	1,898	1,946
Gross profit as % of revenue	26.4	24.0	24.9	24.5	26.3	24.0
Gross operating result (EBITDA)	110	78	(1)	(3)	109	75
Operating result before amortisation (EBITA)	58	18	(9)	(11)	49	7
Operating result (EBIT)	38	(3)	(13)	(73)	25	(76)
Net profit (loss)	31	(3)	(11)	(67)	20	(70)
Average net invested capital	749	760	54	92	803	852
EBITDA as % of revenue	6.4	4.4	(0.9)	(1.7)	5.8	3.9
EBIT as % of revenue	2.2	(0.1)	(7.8)	(43.3)	1.3	(3.9)
EBITDA as % of average net invested capital	14.8	10.3	(2.7)	(3.2)	13.6	8.8
EBIT as % of average net invested capital	5.1	(0.3)	(24.0)	(79.7)	3.1	(8.9)
Free cash flow[1)]	18	72	(3)	(5)	15	67
Net investments	46	13	1	0	47	13

[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 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 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 food-related non-food products and services 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 organisations and make increasing use of a common delivery 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 partners, which serve both the Dutch and Belgian market.

Sligro Food Group has two specialist companies: Bouter for advertising, 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 BA.

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.