



Apetit Plc's Business Review 1 January–31 March 2020: Food-driven improvement in Apetit's result

Apetit Plc, Stock Exchange Release, 8 May 2020 at 8:30 a.m.

January–March 2020, continuing operations*

- Net sales amounted to EUR 65.2 (71.0) million
- Operational EBITDA was EUR 2.4 (2.0) million
- Operational EBIT was EUR 0.9 (0.8) million

*) Apetit's continuing operations are Food Solutions, including the frozen products category, Oilseed Products and Grain Trade.

The information in this Business Review is unaudited. The figures in brackets refer to the corresponding period in 2019, and the comparison period means the corresponding period in the previous year, unless otherwise stated. The comparison figures have been adjusted to correspond to the continuing operations in 2020, except the service business, which is included in the comparison figures for the first quarter of 2019. The service business was gradually divested by a business transfer that was completed by the end of April 2019.

Esa Mäki, CEO:

“The result of Apetit's continuing operations improved food-driven in line with our targets. At the Group level, the result improvement was more significant, proving that the previously implemented restructuring-related measures have been right.

The exceptional circumstances related to the coronavirus were strongly reflected in the retail demand for food in the first quarter. As restaurants were closed and other public services, such as schools and day-care centres, scaled back their operations, food consumption shifted to people's homes to a significant degree. Consequently, the sales of our consumer products were momentarily exceptionally high in March. As might be expected, this coincided with a significant drop in demand in the HoReCa segment. The overall impact of the pandemic on our business will naturally become clearer at a later time: the commercial situation in the businesses is very reasonable at the moment.

At the start of the year, we are at the end of the harvest season, which means that our raw material inventories are at a good level. When necessary, we are able to quickly acquire raw material for the production chain, enabling us to flexibly respond to the increased demand. The availability of imported raw materials has been close to normal thus far. In spite of the exceptional circumstances, our supply chain performed well in cooperation with all of our stakeholders. As regards the new harvest season, the labour availability problems at Finnish farms that have been talked about in the media are not a significant concern for the farmers that supply raw materials to Apetit: the cultivation of outdoor-grown vegetables is not as labour-intensive as the cultivation of berries and certain other vegetables, for example, and most of the work is done by machines.

One of Apetit's strategic goals is to increase the international sales of food products. In March, we significantly strengthened our market share in Sweden by starting deliveries to ICA, the largest grocery retail chain in Sweden. Going forward, eight products launched under the Apetit brand will be extensively available as part of ICA's national product selection.

Continuing to systematically increase our exports to Sweden is very important for us. Our products already have a well-established position in the frozen food sections of Finnish supermarkets, and we are confident that we will also gain a strong foothold in the Swedish market. Sweden's population is almost twice as large as that of Finland, and they traditionally use more frozen foods than Finnish consumers.

In our Oilseed Products business, we updated our contract farming model in the first quarter with the aim of motivating growers to cultivate domestic rapeseed and thereby ensuring the availability of domestic raw material.



Our raw material inventories of oilseed plants are at a high level thanks to our active purchasing efforts last year. The exceptional circumstances in the first quarter did not significantly affect in the demand for vegetable oils. As in the Food Solutions business, demand grew in the retail segment and declined in the HoReCa segment. Our rapeseed protein ingredient development efforts have almost progressed as planned: The European Food Safety Authority is currently processing the novel food application and the expert opinion on the matter is expected to be completed in the summer of 2020.

The effects of the prevailing exceptional circumstances on the grain trade have been varied: the price of grain first began to fall, but subsequently rose quickly as the high demand for grain-based products drove the grain-using industries to take preparatory measures and increase their purchasing activity.

In these exceptional times, we should be grateful for — and proud of — our domestic primary production and the high rate of self-sufficiency of the Finnish food industry. The high level of self-sufficiency of Finnish food production ensures that the Finnish food system continues to operate effectively even under extraordinary circumstances. Apetit has a strong integration with Finnish primary production and a unique value chain built from it. This will continue to be an important competitive advantage and source of differentiation for us in the future.”

KEY FIGURES

EUR million	1–3 2020	1–3 2019	Change	2019
Continuing operations				
Net sales	65.2	71.0	-8.3%	296.9
Operational EBITDA	2.4	2.0		2.5
Operational EBIT	0.9	0.8		-3.0
Operating profit	0.2	0.0		-4.8
Share of profit of associated company Sucros	-0.4	-0.5		-0.9
Profit for the period	-0.5	-0.6		-5.4
Earnings per share, EUR	-0.08	-0.10		-0.87
Working capital at the end of the period	42.9	45.1		64.0
Investment	0.9	2.4		11.5
Group (comparison figures include discontinued operations)				
Net sales	65.2	76.4	-14.7%	312.6
Operational EBITDA	2.4	1.8		2.5
Operational EBIT	0.9	0.3		-3.8
Operating profit	0.2	-0.6		-3.4
Profit for the period	-0.5	-1.1		-4.4
Earnings per share, EUR	-0.08	-0.17		-0.71

Equity per share, EUR	15.02	15.72	15.09
Return on capital employed (ROCE), % rolling 12 months	-2,1%	-5,1%	-4.0%
Net cash flow from operating activities	22.4	10.9	-5.9
Equity ratio	64.7%	63.7%	55.0%
Gearing	13.4%	20.5%	35.9%

FINANCIAL PERFORMANCE IN JANUARY–MARCH

Comparable net sales decreased by 8.3 per cent to EUR 65.2 (71.0) million. The net sales of Food Solutions remained on a par with the comparison period: the demand for frozen products increased substantially year-on-year due to the exceptional circumstances and a notable increase in food exports, while the discontinuation of the service business reduced the segment's net sales. In Oilseed Products, net sales increased slightly from the comparison period thanks to higher sales of pressed products. The net sales of the Grain Trade business decreased from the comparison period.

Operational EBIT improved and amounted to EUR 0.9 (0.8) million. The profit performance of Food Solutions improved slightly thanks to increased demand. During the review period, media investments to strengthen the Apetit brand were significantly higher than in the comparison period. The profitability of the Oilseed Products business was on a par with the comparison period. The result of the Grain Trade business remained at the previous year's level due to weak margins and deliveries being postponed to the second quarter.

The Group's liquidity was good and its financial position is strong. The equity ratio was 64.7 (63.7) per cent and gearing was 13.4 (20.5) per cent. The Group's cash flow from operating activities after interest and taxes was EUR 22.4 (10.9) million in January–March.

SEASONALITY OF OPERATIONS

In accordance with the IAS 2 standard, the historical cost of inventories includes a systematically allocated portion of the fixed production overheads. With production focusing on harvest time, raw materials are mainly processed into finished products during the second half of the year. This means that more fixed production overheads are recognised on the balance sheet in the second half of the year than during the first half of the year. Due to this accounting practice, most of the Group's annual profit is accrued during the second half of the year. The seasonal nature of profit accumulation is most marked in the frozen foods group of the Food Solutions segment and in the associated company Sucros, where production reflects the crop harvesting season.

Harvesting seasons also cause seasonal variation in the amount of working capital tied up in operations. Working capital tied up in Grain Trade and Oilseed Products is typically at its highest towards the end of the year and decreases to its lowest in the summer before the next harvest season. As the production of frozen products is also seasonal and follows the harvest period, the working capital tied up in operations is at its highest around the turn of the year in the Food Solutions segment.

Net sales in Grain Trade vary from one year and quarter to the next, even quite considerably, being dependent on the demand and supply situation and on the price level in Finland and other markets.

PROFIT GUIDANCE FOR 2020 UNCHANGED (published on 21 February 2020)

The full-year operational EBIT is expected to improve year-on-year (EUR -3.0 million in 2019) and to show a profit.



Apetit Plc

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Apetit is a food industry company firmly rooted in Finnish primary production. Our operations are based on a unique value chain: we create well-being with vegetables by offering healthy and tasty food solutions that make daily life easier. We also produce high-quality vegetable oils and rapeseed expellers for feeding stuff, and trade grain on the international markets. Apetit Plc's shares are listed on Nasdaq Helsinki. In 2019, Apetit Group's net sales were EUR 313 million. Read more at apetit.fi.