Sligro Food Group N.V.

Press release
2022 annual figures

As stated in our press release on revenue dated 4 January 2023, Sligro Food Group N.V.'s annual revenue for 2022 amounted to €2,483 million, an increase of 30.8% compared to the €1,898 million in revenue that we achieved in 2021. Net profit for the financial year was €39 million, up €19 million (94%) compared to the previous year.

Koen Slippens, CEO

"In the first quarter of 2022, the recovery of our sales markets in the Netherlands and Belgium continued to gain traction. In the subsequent quarters, our customers were happily operating at full capacity again as consumers resurfaced to enjoy their 'newly regained freedom' and flocked in droves to visit cafés, bars and restaurants, amusement parks and events.

Two years of COVID-19 led to a major disruption in the global supply chain, and that effect was compounded by the impact of the war in Ukraine. Like the rest of the market, we had to cope with shortages and scarcity in part of our product range. Where possible, we dealt with this problem by increasing our buffer inventories. Happily, we saw some improvement towards the end of the year.

The year was also characterised by scarcity in the labour market and bottlenecks in transport. In contrast to many sectors, such as public transport, aviation, healthcare and also the hospitality industry, which were forced by necessity to downsize, we chose to maintain maximum service continuity. We managed to achieve a very reasonable level of quality in our deliveries by using couriers and foreign drivers, but at a high cost.

Inflation increased by large increments throughout 2022. We were forced to absorb part of these costs, which impacted our bottom line, but to some extent the price increases were offset by efficiency improvements or passed on in our selling prices to our customers. Although most of our customers choose to pass on those price rises in their own prices to consumers, that seems to have had little impact on sales volumes in 2022, which remained very strong.

Despite all the challenges that 2022 presented, we are delighted with the recovery of the markets in which we operate and the gains we have made in market share. Our customers were able to focus on running their businesses profitably again and our employees showed their usual excellence by expertly helping our customers wherever possible. So, thankfully, we are again Moving forward together!

Key figures[1]

x € million	2022	2021
Revenue	2,483	1,898
Organic revenue growth (%)	30.8	(2.5)
Gross operating result (EBITDA)	126	109
Operating result before amortisation (EBITA)	67	49
Operating result (EBIT)	43	25
Net profit	39	20
Free cash flow[2]	6	15
Net invested capital	800	805
Net interest-bearing debts	365	382
Earnings per share (x € 1)	0.88	0.45
Dividend per share (x € 1)	0.55	0.00

[1] The auditor has not yet completed the 2022 audit and has not yet issued an auditor's report.

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

The improvement in our profit was the net result of a substantial recovery in revenue on the one hand, and a strong rise in costs on the other. New growth and inflation forecasts meant that we were constantly adjusting our view of the impact of these two factors over the course of the year. After a good summer, we revised our own forecasts upwards, but ultimately we were obliged to bear additional logistics costs for a longer period than expected, as well as the costs of the SAP go-live in Antwerp. Despite the fine year-on-year improvement, the result was lower than our post-summer expectations. In 2022, we were able to resume our dividend policy. On the basis of that policy and a net profit of €0.88 per share, we are proposing a dividend of €0.55 per share for 2022, i.e. a distribution of 63%."

Our strategic agenda

After the relaunch, we were able to test for the first time what our partnership with Heineken was actually going to bring us in terms of more sales to existing customers. Early on in the year, we were pleased to note that the goals we had set for this (€100 million in additional sales to existing customers after four years) would clearly be exceeded.

In addition to our product offering, we are developing services that are relevant to our customers, which help them to trade successfully and facilitate them in their daily operations. The solutions we offer under "Slimme Keuken" (smart kitchen) and "Kleinste Keuken" (smallest kitchen) offer our customers a helping hand, especially in these times of staff shortages.

In addition to a strong and entrepreneurial corporate culture, a growing organisation requires clear frameworks, a clear division of roles and uniformity in processes, which must be supported by uniform systems and data. We took an important step in that direction in 2022 when we completed the first SAP go-live in Antwerp. We are resolving those problems in the hypercare phase to ensure that they do not recur in further roll-outs, and operations are settling back into a smooth-running routine. The hypercare and operational recovery costs incurred in this phase are substantial.

Due to unavoidable workforce downsizing in recent years and the tight labour market after COVID-19, we saw increased pressure in many parts of the organisation as demand recovered. In 2022, we therefore strengthened our recruitment & selection department and increased our efforts to attract an adequate influx of talented people to Sligro Food Group. This is now paying off, and we also find that our culture and entrepreneurial way of working together are attractive to both new and existing colleagues. One good reflection of this is the pleasing rise in our employee satisfaction score, which we monitor on a permanent basis.

For a family-owned listed company like Sligro Food Group, sustainable business practices are a matter of course. In 2022, much of the attention and energy devoted to this area went into preparing for the new European legislation on sustainability reporting. We welcome the initiatives to create more transparency and comparability in the value chain and are carefully preparing for them. However, we need to be vigilant to ensure that the resulting strong focus on reporting does not come at the expense of actually improving our performance in the area of sustainability.

Acquisition of Metro Belgium

At the end of 2022, with regard to the court-supervised restructuring process in relation to Makro Cash & Carry Belgium NV, we were pleased to report that the court in Antwerp had authorised the judicial trustees appointed in the case to sell most of Metro's business activities in Belgium to Sligro Food Group. The deal, which encompasses the nine Metro wholesalers in Antwerp South, Wevelgem, Liège, Hasselt, Middelkerke, Namur, Sint-Katelijne-Waver, Brussels and Vorst, was completed on 3 January 2023. In addition to the employees at those sites, we took on about 100 employees from the regional network and head office, and we offered the employees at the Antwerp North site, which is not part of the acquisition deal, a position at the nearby Sligro-ISPC site in Antwerp. We briefly closed the outlets immediately after the acquisition and reopened them one by one within a few days, with Sligro Food Group technical infrastructure and product ranges in place. All outlets had reopened for our customers by 18 January.

Results

Managing inflation was a dominant issue during the year. Inflation had a major impact not only on the purchase price of products and on costs, but also on trade allowances and customer bonuses. Where possible, we compensated for the increased costs through greater efficiency, and to some extent we absorbed the rises at the cost of our own margins, but a portion was passed on in the prices charged to our customers. As every year, we made efforts to reach better agreements on purchasing and promotions with our suppliers and partners. Expressed as a percentage of revenue, gross profit increased by 0.4% to 26.7%.

Costs, including depreciation and amortisation, rose to 25.7% of revenue, an increase of 0.4% relative to the previous year. Costs include acquisition-related costs of €4 million in relation to the Metro outlets we purchased in Belgium. These mainly comprise legal and advisory costs for the transaction and due diligence process.

We incurred certain one-off expenses in connection with the launch of our new ERP package in Antwerp. These included an impairment of €3 million on certain components of the built solution that we will not use, while the costs of hypercare and operational disruptions in relation to the launch itself came to a further €3 million.

Logistics costs increased. Shortages of drivers and transportation drove prices up, an effect that was exacerbated by the energy crisis following the war in Ukraine and by general inflation. As we put the emphasis on continuity of supply to our customers at all times, we unfortunately incurred substantial additional costs for foreign drivers, hotel stays and Dutch-speaking co-drivers as a result. Although we had expected the need for this to diminish after the summer, we had to continue in the same vein until well into the fourth quarter. In total, 'additional' expenses of around €12 million were incurred for the use of co-drivers and hotel stays in respect of foreign drivers, and €5 million for the use of couriers to plug the shortfalls in regular transport. In the last few months of the year, logistics costs fell back as pressure on the supply chain diminished.

Depreciation and amortisation decreased by €1 million compared to a year earlier. The brake on investments in the past few years led to an underlying decrease in depreciation charges. However, this year our capital expenditure reverted to its normal level. Now that our ERP environment has entered into service, we have begun to amortise it over a five-year period. Amortisation charges have therefore increased by €1 million per month as of December 2022.

Other operating income increased by €11 million compared to the previous year. This year we sold our minority stake in Smeding, resulting in a one-off non-taxable gain of €16 million. Last year, we sold unoccupied real estate and received a one-off payment in settlement of certain administratively burdensome regular invoices in connection with our partnership with Heineken.

The operating result increased by €18 million to €43 million. This figure rises to €47 million if we disregard the costs incurred in relation to the Metro acquisition. Although we are pleased with the ongoing recovery of our sales markets and with our profitability, we would have liked to have made more progress on the road to our medium-term profitability target. However, the additional logistics costs and the (one-off) costs in relation to the SAP launch put more pressure than expected on results in 2022.

The income tax expense is relatively low in comparison with the pre-tax profit. This is principally due to the non-taxable gain recognised on the sale of our interest in Smeding. We also obtained tax income of €1 million in relation to the settlement of previous years.

As a result of the above, net profit came in at €39 million in 2022, an improvement of €19 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 €0.88 (2021: €0.45) per share.

Investments, operating capital and cash flow

Gross investment rose in 2022, by €12 million to €59 million. This includes the €5 million purchase of the former Metro site in Liège, which we acquired at the end of 2022 prior to the completion of the takeover in early 2023. The total amount represents 2.5% of revenue.

Our operating capital position moves in line with business levels, so all operating capital items increased substantially over the course of the year. Overall, net operating capital at the end of 2022 was €8 million higher than it had been a year earlier. In revenue terms, operating capital was equal to six days' sales, which was lower than last year.

We achieved a net free cash flow of €6 million. In addition to the free cash flow, we recorded a one-off income flow of €19 million from disposals of operating activities, including in particular the proceeds from the sale of our minority stake in Smeding. We reinstated our dividend policy in 2022 and paid an interim dividend of €13 million to our shareholders for the first time in three years. Our other income also enabled us to reduce our net debt position.

Outlook

For some years now, the correlation that used to exist between consumer confidence, unemployment figures and food service market development no longer seems to apply. Consumer spending in the 'out of home' channel also held up well last year, despite the lack of confidence, and we assume that this situation will continue for most of 2023.

Inflation will remain high, leading to rising prices in the wholesale market, which will eventually filter down to consumers. The extent to which this will put a brake on spending remains to be seen, as schemes to compensate rising energy costs, tax relief measures and wage increases will have a counterbalancing effect.

The conclusion for Sligro Food Group is that we must be flexible. We expect volume growth due to market outperformance, which, in combination with high inflation, will lead to a welcome increase in revenue. So properly managing inflation in our pricing decisions, and controlling costs, are key themes on our agenda for 2023.

We took control of nine Metro outlets in Belgium in early 2023. The outlets had lost revenue under Metro since the start of the court-supervised restructuring process (as many items were no longer available) and the revenue on reopening was lower year-on-year than before the restructuring began. Our aim is to bring revenue back up to 70% of the original level by the end of 2023. Due to one-time costs and start-up losses, we expect these activities to generate an operating loss (EBITDA) of approximately €20 million in 2023. We believe that we will return to operating profit from 2024.

The year 2023 will revolve around 'Smarter Together'. Together as teams within Sligro Food Group: the Netherlands and Belgium, existing colleagues and the many new Metro colleagues, the service office and colleagues in the field, functional teams and cross-functional teams, digital and analogue, supply chain and sales. But also outside Sligro Food Group, in collaboration with partners, suppliers, customers and our business environment, because together we are smarter. And we urgently need that smartness to utilise the opportunities and deal with the challenges we face as a society, as an industry, as people and as a company.

Sustainability requires, both in terms of content and in terms of reporting on performance, a lot of attention. We certainly don't see this as a dark cloud, but rather as a stimulating challenge and a responsibility that we are happy to embrace as a collective. Smarter Together, in other words!

The 2022 annual report will be published at 8 February at the latest. The reason for publishing at a later date is the result of the first time application of the XBRL block tagging requirements under ESEF. The software application designed to publish these requirements is not functioning properly, which hampers us from publishing the annual report simultaneously with todays press release. As a result the auditor cannot finalise the audit at this stage. As usual, Sligro Food Group is among the first companies to publish its annual report and is also among the first to experience these start-up issues resulting from these new requirements.

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 20 April 2023, we will go into developments in the first quarter of 2023 in greater detail, and we will publish our interim figures on 20 July 2023.

Veghel, 2 February 2023

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

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Appendices

Consolidated statement of profit or loss[1]

x € million	2022	2021	2020
Revenue	**2,483**	**1,898**	**1,946**
Cost of sales	(1,820)	(1,400)	(1,478)
Gross profit	**663**	**498**	**468**
Other operating income	**18**	**7**	**4**
Employee expenses	(314)	(226)	(230)
Premises costs	(34)	(29)	(31)
Selling costs	(22)	(10)	(17)
Logistics costs	(140)	(91)	(86)
General and administrative expenses	(45)	(40)	(33)
Depreciation of property, plant and equipment and right-of-use assets	(59)	(60)	(68)
Amortisation of intangible assets	(21)	(21)	(21)
Impairment of property, plant and equipment	0	0	0
Impairment of goodwill and other intangible assets	(3)	(3)	(62)
Total operating costs	**(638)**	**(480)**	**(548)**
Operating result	**43**	**25**	**(76)**
Finance income	0	0	0
Finance costs	(7)	(7)	(9)
Share in the result of associates	7	8	7
Pre-tax profit (loss)	**43**	**26**	**(78)**
Income taxes	(4)	(6)	8
Net profit (loss)	**39**	**20**	**(70)**
Profit (loss) attributable to shareholders of the company	**39**	**20**	**(70)**

x €	2022	2021	2020
Details per share			
Basic earnings (loss) per share	0.88	0.45	(1.59)
Diluted earnings (loss) per share	0.87	0.45	(1.58)
Dividend proposed	0.55	0.00	0.00

[1] The auditor has not yet completed the 2022 audit and has not yet issued an auditor's report.

Consolidated statement of comprehensive income[1)]

x € million	2022	2021	2020
Net profit (loss)	39	20	(70)
Items that have been or may be reclassified to profit or loss:			
Cash flow hedges, after tax	0	0	1
Other comprehensive income that will be reclassified to profit or loss, after tax	0	0	1
Comprehensive income	**39**	**20**	**(69)**
Comprehensive income attributable to shareholders of the company	**39**	**20**	**(69)**

1) The auditor has not yet completed the 2022 audit and has not yet issued an auditor's report.

Consolidated statement of cash flows[1)]

x € million	2022	2021	2020
Receipts from customers	2,739	2,162	2,312
Receipts from other operating income	1	3	0
	2,740	**2,165**	**2,312**
Payments to suppliers	(2,308)	(1,802)	(1,936)
Payments to employees	(132)	(128)	(129)
Payments to the government and pension fund[2)]	(200)	(164)	(150)
	(2,640)	**(2,094)**	**(2,215)**
Net cash flow from business operations	100	71	97
Interest paid	(3)	(2)	(5)
Dividends received from participations	6	5	4
Income tax received (paid)	(12)	(1)	5
Net cash flow from operating activities	**91**	**73**	**101**
Acquisitions of subsidiaries	0	0	0
Income from sales of subsidiaries	1	0	1
Purchase of property, plant and equipment	(40)	(21)	(45)
Proceeds from disposal of property, plant and equipment	1	7	62
Purchase of intangible assets	(21)	(23)	(27)
Purchase of interests in and loans to associates	0	0	(2)
Other receipts from sales of interests in and repayment of loans by associates	18	2	1
Net cash flow from investing activities	**(41)**	**(35)**	**(10)**
Long-term borrowings drawn	0	0	0
Repayments on long-term borrowings	(20)	0	(67)
Change in treasury shares	1	1	1
Lease liabilities paid	(25)	(23)	(23)
Dividend paid	(13)	0	0
Net cash flow from financing activities	**(57)**	**(22)**	**(89)**
Change in cash, cash equivalents and short-term borrowings	**(7)**	**16**	**2**
Opening balance	11	(5)	(7)
Closing balance	**4**	**11**	**(5)**

1) The auditor has not yet completed the 2022 audit and has not yet issued an auditor's report.

2) Includes the payment of €4 million received from the government under the NOW wage subsidy scheme (2021: €28; 2020: €19).

Consolidated statement of financial position[1)]

x € million	31 December 2022	31 December 2021	31 December 2020
Assets			
Goodwill	125	125	125
Other intangible assets	144	146	149
Property, plant and equipment	281	282	299
Right-of-use assets	203	211	216
Investments in associates	56	55	54
Other non-current financial assets	6	7	8
Deferred tax assets	1	0	2
Total non-current assets	**816**	**826**	**853**
Inventories	266	226	188
Trade and other receivables	240	131	111
Other current assets	39	36	30
Income tax	0	0	1
Cash and cash equivalents	59	12	13
	604	**405**	**343**
Assets held for sale	1	2	2
Total current assets	**605**	**407**	**345**
Total assets	**1,421**	**1,233**	**1,198**
Liabilities			
Paid-up and called-up capital	3	3	3
Share premium	31	31	31
Other reserves	(4)	(4)	(5)
Retained earnings	449	423	403
Total equity	**479**	**453**	**432**
Deferred tax liabilities	12	22	22
Employee benefits provision	2	2	2
Other non-current provisions	0	0	0
Long-term borrowings	110	160	160
Non-current lease liabilities	208	214	218
Total non-current liabilities	**332**	**398**	**402**
Current provisions	0	0	3
Current portion of long-term borrowings	30	0	0
Short-term borrowings	55	1	18
Current lease liabilities	21	20	19
Trade and other payables	364	255	217
Income tax	7	3	1
Other taxes and social security contributions	29	22	37
Other liabilities, accruals and deferred income	104	81	69
Total current liabilities	**610**	**382**	**364**
Total liabilities	**1,421**	**1,233**	**1,198**

1) The auditor has not yet completed the 2022 audit and has not yet issued an auditor's report.

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

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	0	0	0	0	0
Treasury share transactions	0	0	1	0	1
Transactions with owners	0	0	1	0	1
Profit (loss) for the financial year	0	0	0	20	20
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	0	0	0	(13)	(13)
Treasury share transactions	0	0	0	0	0
Transactions with owners	0	0	0	(13)	(13)
Profit (loss) for the financial year	0	0	0	39	39
Total realised and unrealised results	0	0	0	39	39
Balance as at 31 December 2022	**3**	**31**	**(4)**	**449**	**479**

1) The auditor has not yet completed the 2022 audit and has not yet issued an auditor's report.

Segment reporting[1)]

	Netherlands		Belgium		Group	
x € million	2022	2021	2022	2021	2022	2021
Revenue	2,238	1,730	245	168	2,483	1,898
Organic revenue growth as %	29,3	(2,6)	46,3	(0,9)	30,8	(2,5)
Gross profit as % of revenue	27,1	26,4	23,0	24,9	26,7	26,3
Gross operating result (EBITDA)	134	110	(8)	(1)	126	109
Operating result before amortisation (EBITA)	82	58	(15)	(9)	67	49
Operating result (EBIT)	59	38	(16)	(13)	43	25
Net profit (loss)	51	31	(12)	(11)	39	20
Net investments	52	46	7	1	59	47
Free cash flow[2)]	25	18	(19)	(3)	6	15
EBITDA as % of revenue	6,0	6,4	(3,4)	(0,9)	5,1	5,8
EBIT as % of revenue	2,6	2,2	(6,4)	(7,8)	1,7	1,3
Average net invested capital	749	753	53	52	802	805
EBITDA as % of average net invested capital	14,8	14,8	(2,7)	(2,7)	13,6	13,6
EBIT as % of average net invested capital	7,8	5,1	(29,4)	(24,0)	5,3	3,1

1) The auditor has not yet completed the 2022 audit and has not yet issued an auditor's report.

2) 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-M is the wholesale formula that, with a nationwide network of cash-and-carry wholesalers (former Metro outlets) and delivery services to food professionals. The formulas in Belgium 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 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 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 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.