Greenyard demonstrates resilience and robustness in profitability and volumes

Sint-Katelijne-Waver, Belgium, 14 November 2022

Highlights:

- The market in fruit and vegetables (post-COVID-19) is severely impacted by unprecedented macro-economic and geopolitical turmoil.
- Greenyard has done better than the market trend on both volumes and prices. Versus a (temporary) declining European fresh produce market, the Group increased its market share in its Fresh segment. It equally grew its volumes in its Long Fresh segment during the first half year of Greenyard's financial year 22/23.
- Greenyard sales increased by 7,3% on a like-for-like basis versus last year to € 2 270,2m, even accelerating versus its Q1 4,8% growth. Both the Fresh and Long Fresh segment grew, respectively by 5,9% and 14,5%.
- The Group's Adjusted EBITDA is in line with last year, at € 80,4m versus € 82,6m last year. Thus, it overcame lower market volumes, high inflation, higher energy, transport, and labour costs, all weighing heavily on the entire sector's profitability. Its sustained profitability and increase in market share are important elements to deliver growth as an industry leader, particularly in a new macro-economic normal.
- Positive net result from continuing operations stood at € 7,1m versus € 8,5m last year.
- Net Debt decreased to € 328,4m from € 338,1m for the comparable period of last year, even with higher valued inventory in the Long Fresh segment due to inflation. The leverage ratio (Net Debt/Adjusted EBITDA) equally dropped to 2,7x from 2,8x in the comparable period last year.
- Greenyard has also improved its financing mix thanks to the real estate transaction in Greenyard Prepared in Bree. The Net Debt therefore only includes € 239,8m of bank debt.
- Anticipating the steep increase in interest rates, Greenyard closed the refinancing of its existing bank debt in September. Interest rate margins remained stable, and better terms and conditions were negotiated. The renewed € 420m bank financing provides liquidity room and a stable funding for the Group for a new five-year period.
- The current economy and geopolitical climate make it difficult to give a clear guidance. In the short term we believe that the resilience we demonstrated will continue. In the longer term we believe that the level and speed of growth is dependent on the macro-economic and political developments. The fact that we improved our market share and the clear advantages of our business model will act as a catalyst for an accelerated growth after a new equilibrium will be reached. Our industry was one of the first to have the negative impact of the current situation, but will also be one of the first to pick up together with the incentivization of eating more healthy.
- Interested parties are invited to a live webcast today. This can be accessed by visiting the following LINK. The call begins promptly at 14h (CET). An audio replay of the conference call will be made available later, on Greenyard's investor relations webpage.

Co-CEO Hein Deprez said: *"The current economic circumstances have led the average per capita consumption to remain well below the WHO minimum recommendations of 400gr/capita/day. Today, we truly have an exceptional momentum to unleash the full power of fruit and vegetables. Favourable policy drivers and strategies are being rolled out, highlighting the essential role of the most healthy and sustainable food category. And at the same time, we see that fruit and vegetables have a minimal impact on purchasing power. In the consumers' food baskets, the inflationary impact on these products has been lagging. Even more than before, now is the time to increase consumption of fruit and vegetables, to the benefit of people and planet."*

Co-CEO Marc Zwaaneveld added: *"These are unprecedented times. We are living the global consequences of macro-economic and geopolitical turmoil, which is affecting economies, supply chains and businesses across the globe. Despite the pressure on businesses, Greenyard has shown the ability to leverage its strong, central position in the food value chain. In the current circumstances, we notice an increased appetite in our unique and integrated ways of working. With a strengthened relative market position and unaffected profitability, Greenyard is set to reap the benefits both of increasing consumption and its unique approach to the market, as soon as the economic and geopolitical climate comes to a new normal."*

Key Financials – Strong in unprecedented times

Figure 1 – Key Financials

Key financials (in €'000 000)	H1 22/23	H1 21/22	Difference
Sales (reported)	2 301,9	2 190,5	5,1%
Sales (like-for-like)	2 270,2	2 115,6	7,3%
Adjusted EBITDA	80,4	82,6	-2,7%
Adjusted EBITDA-margin %	3,5%	3,8%	
Net result continuing operations	7,1	8,5	
EPS continuing operations (in €)	0,13	0,16	
NFD (excl. lease accounting)	328,4	338,1	-2,9%
Leverage	2,7	2,8	

Sales. Greenyard achieved a 7,3% increase in sales (on a like-for-like basis) driven by +9,0% price increases in an inflationary environment (including € +16,6m FX impact on the USD, GBP and CZK). This is partially compensated by a limited decline in volume in the Fresh segment retail business with consumption rebalancing in the post COVID period. Group reported sales increased year-on-year by € 111,4m, up from € 2 190,5m to € 2 301,9m.

Adjusted EBITDA. Despite the unprecedented economic turmoil with the highest inflation in decades, supply chain disruptions and a period of drought, Greenyard managed to keep the absolute Adjusted EBITDA approximately stable (-2,7%) at € 80,4m as compared to € 82,6m last year. The Adjusted EBITDA margin slightly decreased from 3,8% in the same period last year to 3,5% for the first six months of the financial year.

By Segment

1 – Fresh
Figure 2 – Evolution in sales and Adjusted EBITDA

Key segment figures - FRESH in €'000 000	H1 22/23	H1 21/22	Difference
Sales (reported)	1 911,2	1 811,8	5,5%
Sales (like-for-like)	1 879,6	1 774,5	5,9%
Adjusted EBITDA	49,3	54,5	-9,6%
Adjusted EBITDA-margin %	2,6%	3,0%	

The Fresh segment achieved a sales growth of 5,9% on a like-for-like basis (or 5,5% on a reported basis), generating an additional € 105,1m in sales in the first six months of the financial year. The sales increase was mainly attributable to +8,9% sales price increases on fruit & vegetables, compensated by a limited negative volume effect of -3,0% mainly attributable to a revived out of home consumption post-COVID. This limited decline in volume underlines Greenyard's robustness when compared to the market's 10% consumption drop in Europe in fresh produce. The integrated customer relationships continue to represent 74% of sales of the Fresh segment and provide a stable financial basis for the business.

The Adjusted EBITDA decreased by € -5,2m over the same period in the previous year, or down -9,6%, resulting in a margin decrease of -43bps as the accelerating inflation of input costs could not be fully translated into sales price increases given the current high price pressure within retail and declining consumption.

2 – Long Fresh
Figure 3 – Evolution in sales and Adjusted EBITDA

Key segment figures - LONG FRESH in €'000 000	H1 22/23	H1 21/22	Difference
Sales (reported)	390,6	378,7	3,1%
Sales (like-for-like)	390,6	341,1	14,5%
Adjusted EBITDA	30,9	28,1	9,9%
Adjusted EBITDA-margin %	7,9%	7,4%	

Sales in the Long Fresh segment have increased by € 49,5m compared with the same period last year, a 14,5% increase on a like-for-like basis (or 3,1% on a reported basis). The double-digit growth is explained by an increase of +5,4% in volume with food service and industry returning back to the pre-COVID level. The volume growth is the result of growth with both established and new customers. 9,1% of the sales growth is explained by sales price increases to cover inflation affecting all cost categories i.e. energy, packaging, transport, produce and labour.

The Adjusted EBITDA increased from € 28,1m to € 30,9m by 9,9% versus the same period last year. The increase shows the impact of the volume growth and was achieved despite certain production inefficiencies caused by lower crop yields due to drought and scarcity of labour. It also includes a significant one-off recovery of previous years' contributions related to water management. The Adjusted EBITDA margin improved by 49bps to the level of 7,9%, which is also impacted by the divestment of Greenyard Prepared Netherlands in August last year which operated at lower margins.

EBIT

EBIT amounts to € 27,3m which is -€ 4,7m compared to the same period last year, driven by the slightly lower Adjusted EBITDA and the positive result on divestitures in H1 21/22 related to the divestment of Greenyard Prepared Netherlands and Bardsley Fruit Enterprises.

Net Result

Greenyard reports a solid net result from continuing operations of € 7,1m for the first half of the financial year, compared to € 8,5m for the same period last year. In addition to the EBIT result, the finance result improved thanks to a positive result impact originating from the change in fair market value of an interest rate swap contract which is not designated as a hedging instrument partially compensated by transaction costs expensed in relation to the previous financing. On the other hand, income taxes increased slightly due to less positive deferred tax impacts in H1 22/23 compared to H1 21/22.

CAPEX

€ 19,7m capex was committed in Fresh in H1 22/23, with some delays in execution due to the economy. The capex investments include the next step in the roll-out of ERP development, investments related to the improvements on the fresh box line and banana ripening expansion capacity as well as a partial renewal of new trailers in the Netherlands and new tandem trucks in the Czech Republic.

In Long Fresh, € 18,6m was committed in H1 22/23. Main project go-live was the new freezing tunnel in Greenyard Frozen France (Moréac), and commitments also include an optical sorting line for Greenyard Frozen Poland.

Financial Position

Net Debt (excluding IFRS 16 lease liabilities, and in line with the definitions in Greenyard's credit facilities) decreased to € 328,4m from € 338,1m for the comparable period of last year, despite significantly higher inflationary impact in a strong inventory build-up in the Long Fresh segment. Greenyard has also improved the financing mix thanks to the € 88,6m real estate transaction in Greenyard Prepared in Bree. The Net Debt therefore only includes € 239,8m of bank debt. This translates into a leverage of 2,7x, down from 2,8x in September 2021, despite an important increase in the Long Fresh inventory value with similar quantities at a higher price.

Thanks to its refinancing in September, as well as its lease operation at the beginning of the summer, Greenyard has liquidity to face unexpected headwinds in these uncertain times. Furthermore, Greenyard notes that 86% of its financial debt on 30 September 2022 was on a fixed rate, based on an interest rate swap structure spanning the coming 5 years. The interest rate swap was already closed at the beginning of the summer at interesting interest rates, protecting Greenyard against further interest rate hikes.

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About Greenyard

Greenyard (Euronext Brussels: GREEN) is a global market leader in fresh, frozen and prepared fruit and vegetables, flowers and plants. Counting Europe's leading retailers amongst its customer base, Greenyard offers efficient and sustainable solutions to customers and suppliers through best-in-class products, market leading innovation, operational excellence and outstanding service.
Our vision is to make lives healthier by helping people enjoy fruit and vegetables at any moment, easily, quickly and pleasurably, whilst fostering nature.
With around 8 500 employees operating in 19 countries worldwide, Greenyard identifies its people, and customer and supplier relationships, as the key assets which enable it to deliver goods and services worth around €4 billion per annum.
www.greenyard.group

Definitions

CAPEX	Capital Expenditures
EBIT	Operating result
EPS	Earnings per share
IRS	Interest rate swap
Liquidity	Current assets (including assets classified as held for sale)/Current liabilities (including liabilities related to assets classified as held for sale)
Leverage	NFD (for leverage) / LTM Adjusted EBITDA (for leverage)
Net financial debt (NFD)	Interest-bearing debt (at nominal value) after the impact of lease accounting (IFRS 16), less derivatives, bank deposits, cash and cash equivalents and restricted cash
Net financial debt (NFD) excl. lease accounting	Interest bearing debt (at nominal value) before the impact of lease accounting (IFRS 16), less derivatives, bank deposits, cash and cash equivalents and restricted cash
NFD (for leverage)	Net financial debt (NFD) excl. lease accounting
Net result	Profit/loss (-) for the period
Adjusting items	Adjusting items are one-off expenses and income that in management's judgement need to be disclosed by virtue of their size or incidence. Such items are included in the consolidated income statement in their relevant cost category, but separately disclosed in the chapter Key financial information reconciling EBIT to Adjusted EBITDA. Transactions which may give rise to adjusting items are principally restructuring and reorganisation activities, impairments, disposal of assets and investments, claims, IFRS 3 acquisition accounting and corporate finance related projects and the effect of the accelerated repayment of certain financial indebtedness
Adjusted EBITDA	EBIT corrected for depreciation, amortisation and impairments excluding adjusting items, excluding EBIT corrected for depreciation, amortisation and impairments from minor operations that are divested or divestment is in process (not within the scope of IFRS 5).
LTM	Last twelve months
LTM Adjusted EBITDA	Last twelve months Adjusted EBITDA, corrected for acquisitions and disposals on a like-for-like basis
LTM Adjusted EBITDA (for leverage)	Last twelve months Adjusted EBITDA, corrected for acquisitions and disposals on a like-for-like basis and excluding the impact of lease accounting (IFRS 16)
Working capital	Working capital is the sum of the inventories, trade and other receivables (non-current and current) and trade and other payables (current). In this respect trade and other receivables are corrected for long-term (financing) receivables and accrued interest income and trade and other payables exclude accrued interest expenses and dividend payable
Sales (like-for-like)	Reported sales of the period adjusted for operations that are divested or divestment is in process
AY 21/22	Accounting year ended 31 March 2022
AY 22/23	Accounting year ending 31 March 2023
H1 21/22	First half year of accounting year ending 31 March 2022
H1 22/23	First half year of accounting year ending 31 March 2023

Appendix 1: Consolidated Income Statement

Consolidated income statement	Note	H1 22/23 €'000	H1 21/22 €'000
CONTINUING OPERATIONS			
Sales		2 301 852	2 190 492
Cost of sales	4.1.	-2 155 877	-2 041 578
Gross profit/loss (-)		**145 974**	**148 913**
Selling, marketing and distribution expenses	4.1.	-50 139	-49 210
General and administrative expenses	4.1.	-77 990	-74 994
Impairment property, plant & equipment	4.1.	-	-216
Other operating income/expense (-)	4.2.	9 291	7 410
Share of profit/loss (-) of equity accounted investments		196	141
EBIT		**27 332**	**32 044**
Interest expense	4.3.	-17 369	-15 870
Interest income	4.3.	134	61
Other finance result	4.3.	3 288	-2 039
Net finance income/cost (-)		**-13 947**	**-17 848**
Profit/loss (-) before income tax		**13 385**	**14 196**
Income tax expense (-)/income	4.4.	-6 259	-5 701
Profit/loss (-) for the period from continuing operations		**7 126**	**8 495**
DISCONTINUED OPERATIONS			
Profit/loss (-) for the period from discontinued operations		-	-
PROFIT/LOSS (-) FOR THE PERIOD		7 126	8 495
Attributable to:			
The shareholders of the Group		6 365	8 259
Non-controlling interests		761	235

Appendix 2: Consolidated Statement of Financial Position

Assets	Note	30 September 2022 €'000	31 March 2022 €'000
NON-CURRENT ASSETS		**1 221 465**	**1 217 842**
Property, plant & equipment	5.1.	311 114	312 830
Goodwill	5.2.	477 504	477 504
Other intangible assets	5.3.	178 844	184 348
Right-of-use assets	5.4.	202 264	212 206
Investments accounted for using equity method		8 401	8 206
Other financial assets	5.5.	15 368	-
Deferred tax assets		26 353	21 152
Trade and other receivables		1 616	1 596
CURRENT ASSETS		**745 633**	**679 697**
Inventories		409 045	341 197
Trade and other receivables		215 082	239 674
Other financial assets		2 241	322
Cash and cash equivalents		119 264	98 504
TOTAL ASSETS		**1 967 098**	**1 897 538**

Equity and liabilities	Note	30 September 2022 €'000	31 March 2022 €'000
EQUITY		**489 840**	**469 324**
Issued capital		337 692	337 692
Share premium and other capital instruments		317 882	317 882
Consolidated reserves	5.6.	-181 338	-198 227
Cumulative translation adjustments		-203	-2 651
Non-controlling interests		15 808	14 629
NON-CURRENT LIABILITIES		**683 649**	**614 905**
Employee benefit liabilities	5.7.	12 585	16 676
Provisions		13 349	10 428
Interest-bearing loans	5.8.	418 344	350 610
Lease liabilities		196 405	202 612
Trade and other payables		3 828	4 143
Deferred tax liabilities		39 138	30 437
CURRENT LIABILITIES		**793 610**	**813 309**
Provisions		3 792	5 106
Interest-bearing loans	5.8.	16 888	44 628
Lease liabilities		30 106	29 386
Other financial liabilities		575	370
Trade and other payables		742 248	733 819
TOTAL EQUITY AND LIABILITIES		**1 967 098**	**1 897 538**

Appendix 3: Cash Flow Statement for the six-month period ending 30 September 2022

Consolidated statement of cash flows	Note	H1 22/23 €'000	H1 21/22 €'000
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS, OPENING BALANCE		**98 026**	**79 341**
CASH FLOW FROM OPERATING ACTIVITIES (A)		**37 919**	**35 013**
EBIT from continuing operations		**27 332**	**32 044**
EBIT from discontinued operations		**-**	**-**
Income taxes paid		**-6 324**	**-4 147**
Adjustments		**47 419**	**48 252**
Amortisation of intangible assets		10 259	10 391
Depreciation of property, plant & equipment and right-of-use assets		39 437	39 448
Impairment on property, plant & equipment		-	216
Write-off on stock/trade receivables		-5	1 084
Increase/decrease (-) in provisions and employee benefit liabilities		-1 406	-437
Gain (-)/loss on disposal of property, plant & equipment		-1 084	-297
Result on change in control of subsidiaries and equity accounted investments		-	-2 715
Share based payments and other		413	705
Share of profit/loss (-) of equity accounted investments		-196	-141
Increase (-) /decrease in working capital		**-30 508**	**-41 135**
Increase (-)/decrease in inventories		-73 118	-71 213
Increase (-)/decrease in trade and other receivables		33 188	69 893
Increase/decrease (-) in trade and other payables		9 422	-39 815
CASH FLOW FROM INVESTING ACTIVITIES (B)		**-24 986**	**-3 723**
Acquisitions (-)		**-26 653**	**-23 922**
Acquisition of intangible assets and property, plant & equipment		-26 653	-23 890
Acquisition of subsidiaries		-	-32
Disposals		**1 667**	**20 199**
Disposal of intangible assets and property, plant & equipment		1 667	826
Disposal of subsidiaries	4.2.	-	19 373
CASH FLOW FROM FINANCING ACTIVITIES (C)		**7 731**	**-24 921**
Capital increase, net of transaction costs		-	-4
Acquisition (-)/ disposal treasury shares		340	-1 134
Proceeds from borrowings, net of transaction costs		460 187	12 074
Repayment of borrowings		-421 572	-5 357
Payment of principal portion of lease liabilities		-16 014	-15 737
Net interests paid		-13 984	-13 220
Other financial expenses		-1 226	-1 543
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		**20 664**	**6 369**
Effect of exchange rate fluctuations		127	-134
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS, CLOSING BALANCE		**118 817**	**85 575**
Of which:			
Cash and cash equivalents		119 264	86 117
Bank overdrafts		447	542

Appendix 4: reconciliation of net financial debt

Reconciliation net financial debt	30 September 2022 €'000	31 March 2022 €'000
Cash and cash equivalents	-119 264	-98 504
Interest-bearing bank debt (non-current/current)	344 222	395 238
Interest-bearing lease & lease back debt (non-current/current)	91 010	-
Lease liabilities (non-current/current)	226 511	231 998
As reported	**542 479**	**528 732**
Net capitalised transaction costs related to the refinancing	6 903	2 657
Net financial debt	**549 382**	**531 389**
Lease accounting (IFRS 16)	-221 006	-227 769
Net financial debt (excl lease accounting)	**328 376**	**303 620**