GREENYARD

Sales close to last year. Lower operating profit while strong improvement in net result

Sint-Katelijne-Waver, Belgium, November 21, 2017 - Greenyard (Euronext Brussels: GREEN) announced its HY results ending September 30, 2017

Highlights – HY ending September 30, 2017

- Sales are down 2.4% YoY to € 2,094.5m. Excluding the currency effect (-0.4%), sales declined internally by 2.0% compared to strong base last year of +6.8%
    - Fresh reports a sales decline of 2.5%. Internally, top line dropped by 2.2% versus a high comparable base and a stable price evolution after strong price inflation last year
    - Long Fresh' sales were down 2.6% but currencies explain 1.2% of the drop. Sales declined by 1.4% internally, which implies a strong Q2 (+1.4%). Long Fresh was confronted with shortages, while ongoing price and product mix improvements continued to contribute to top line growth
    - Horticulture sales were up 4.5%, mainly thanks to internal growth (+3.0%)
- REBITDA declined by 5.5% to € 73.4m. This entails a € 4.3m drop driven by:
    - Fresh dropped by € 2.6m largely driven by price pressure on bananas, combined with challenging sourcing and lower volumes YoY
    - Long Fresh' was slightly down (€ -1.1m). The continuing efforts to improve portfolio management and ongoing progression in Frozen France were curbed by the impact of shortages, ongoing price pressure in Prepared and irregular supply caused by adverse weather conditions
    - Horticulture declined by € 0.5m due to tough harvest conditions during summer and higher transportation costs
- Net result came in at € 11.7m. Excluding the non-cash impact of the fair value adjustment on the convertible bond, net result arrives at € 12.5m, up 84% YoY
- Including the impact of the share buyback, adjusted EPS increased to € 0.29, up more than 90% YoY
- A significant step-up in CAPEX spent to € 35.2m driven by growth investments in Fresh and timing effect
- Net financial debt dropped by € 32.5m YoY to € 346.5m. This translates into a leverage of 2.4x, down from 2.7x last year. This was realised despite the strong rise in investments and our share buyback programme
- The corporate tax rate showed a structural decline towards 37.3%, down from 47.2% last year
- Closing the acquisition of Mykogen following approval of all competent authorities. Mykogen adds 8% to group REBITDA with consolidation as from December 1, 2017

Marleen Vaesen, Greenyard CEO:

‘We are pleased with the good improvement of the net result of our company further benefitting from the refinancing and ongoing tax savings. At the same time, our net debt continued to decline despite high investments in the growth of our business.

Nevertheless, both in Fresh and Long Fresh, adverse weather conditions hindered our operations and hence financial performance. In Long Fresh, price pressure in Prepared is still ongoing as well.

Going forward, we remain determined to keep our focus on profitable growth, and therefore accelerated a number of initiatives to improve profitability. Actions taken include rightsizing of our Fresh operations in Poland, Germany, Belgium and the UK. These actions lead to more streamlined operations in these countries and lower overhead costs. These initiatives are combined with investments in new state-of-the-art operations that ensure that Greenyard stays at the forefront of our sector.

To conclude, we remain confident Greenyard has the right strategy and priorities in place to generate profitable growth and further strengthen our position as a global leader of fruit & vegetables in all its forms.’

Figure 1 – Key financials

(in € million)	H1 16/17	H1 17/18	YoY
Sales	2,146.1	2,094.5	-2.4%
REBITDA	77.7	73.4	-5.5%
REBITDA margin	3.6%	3.5%	
Net result - Group	6.8	11.7	72.2%
Adjusted Net result - Group	6.8	12.5	84.0%
Adjusted EPS	0.15	0.29	90.2%
NFD	379.0	346.5	-8.6%
Leverage	2.7	2.4	

Segment review

1 – Fresh

Figure 2 – Sales & REBITDA evolution

(in € million)	H1 16/17	H1 17/18	YoY
Sales	1,751.0	1,707.3	-2.5%
REBITDA	45.5	42.9	-5.8%
REBITDA margin	2.6%	2.5%	

Sales of Fresh declined by 2.5%. With a small FX impact of -0.3%, growth dropped internally by 2.2%. Growth was realised in the Netherlands, Poland and the Growth Markets. However, this was more than offset by declines in both German Market and Belgium.

Whereas last year's top line was helped by price increases, H1 of this year was marked by less inflationary effects. This could not be compensated by ongoing product mix improvements driven by exotics, Ready-To-Eat and mixes. Moreover, availability issues impacted top line as well.

REBITDA dropped by 5.8% translating into a margin of 2.5% (-9bps YoY). There are two key reasons for this drop. Firstly, price pressure on bananas. Secondly, operational efficiencies were impacted by challenging sourcing over the period combined with the drop in volumes.

2 – Long Fresh

Figure 3 – Sales & REBITDA evolution

(in € million)	H1 16/17	H1 17/18	YoY
Sales	358.8	349.4	-2.6%
REBITDA	26.8	25.7	-4.0%
REBITDA margin	7.5%	7.4%	

Long Fresh witnessed a sales decline of 2.6%. Foreign currencies impacted sales negatively by 1.2%, driven by the GBP. As such, internal sales evolution showed a –1.4% decline. This is an improvement compared to the -4.0% in Q1, entailing a solid performance in Q2 (+1.4%). This progress was mainly driven by the ongoing price and product mix improvements in Frozen, which largely curbed the impact of shortages due to last year's harvest. Prepared's top line was still impacted by shortages as well as ongoing price pressure. Also the mushroom activities within Prepared are not yet performing as anticipated both in terms of top line and margins.

REBITDA declined by 4.0%, only slightly ahead of the sales drop resulting in stable margins YoY. Underlying improvements stemmed from an ongoing trade-up in the portfolio mix and further enhancement in Moréac (Frozen France). This was more than offset by operational inefficiencies due to lower processing volumes and irregular supply resulting from adverse weather conditions.

3 – Horticulture

Figure 4 –Sales & REBITDA evolution

(in € million)	H1 16/17	H1 17/18	YoY
Sales	36.3	37.9	4.5%
REBITDA	5.4	4.9	-10.1%
REBITDA margin	15.0%	12.9%	

Sales are up by 4.5% in H1. Internal growth amounted to 3.0% as growth in Q2 continued at the 3% level, as was the case in Q1. The acquisition of Nesterovskoye contributed 0.9% to top line whereas the impact of currencies was minimal (+0.6%).

The vast majority of internal growth is driven by strong demand for winter products in Q2, mainly in Western Europe, after a decent start in Q1 as well. Poland is weaker due to bad spring weather. The integration of Nesterovskoye is proceeding according to plan, significantly increasing Horticulture's sourcing hereby securing future growth.

REBITDA dropped by 10.1% representing a margin drop to 12.9%. The decline is mainly driven by a temporary deterioration of the product mix as well as tough harvest conditions in the summer period. Additionally, transportation costs increased after the exceptionally low levels reached last year. This could not be curbed by ongoing tight cost control efforts.

Non-recurring items

Figure 5 – Non-recurring items above operating result

(in € million)	H1 16/17	H1 17/18	YoY
Restructurings & write-offs	-4.5	-2.2	2.3
Mergers & acquisition costs	-0.9	-0.4	0.5
Other	-0.5	-0.6	-0.1
Total Non-recurring items above operating result	**-5.9**	**-3.2**	**2.7**

Non-recurring items amounted to € -3.2m compared with € -5.9m last year. Restructurings & write-offs of € 2.2m mainly relate to general restructuring and reorganisation costs in a number of operations. Costs related to mergers & acquisitions are almost entirely related to the Mykogen transaction.

Net finance income / (costs)

Figure 6 – Net finance income / (costs)

(in € million)	H1 16/17	H1 17/18	YoY
Net interest expenses	-19.9	-12.3	7.6
- interest expense	-20.9	-12.5	8.4
- interest income	1.0	0.2	-0.8
Amortisations (CB, RCF, …)	-0.3	-1.8	-1.5
MTM & Exchange gains /(losses)	-5.3	-2.3	3.0
- FV adjustments CB	*0.0*	*-0.8*	*-0.8*
- Other	*-5.3*	*-1.5*	*3.8*
Bank & Other finance expenses	-1.3	-2.3	-0.9
Net finance income / (costs)	**-26.7**	**-18.6**	**8.1**

Net finance cost witnessed a strong decline of € 8.1m YoY. Net interest expenses dropped by € 7.6m. Excluding interest income, the underlying interest cost savings amounted to € 8.4m. The vast majority of these savings are related to Greenyard's refinancing executed in December 2016, hereby saving more than € 15.0m per annum, as well as an overall reduction in the debt position.

The increase in amortisations is mainly driven by the amortisation of the conversion option of the convertible bond for € 1.1m. MTM & (unrealized) exchange rate movements are largely explained by the GBP. The rise in bank & other financial charges is linked to a general increase.

Income taxes & Net result

Figure 7 – Income taxes and net result

(in € million)	H1 16/17	H1 17/18
Profit before taxes	12.9	19.8
Income tax expense / (income)	-6.1	-7.4
Net result	**6.8**	**12.4**
Non-controlling interest	0.0	0.7
Net result - part of the Group	**6.8**	**11.7**
FV impact Convertible Bond		0.8
Net result -part of the Group - excl. FV impact of Convertible Bond		**12.5**

The corporate tax charge of € 7.4m results in a tax rate of 37.3%. This is significantly below last year's 47.2%. The reduction is driven by ongoing efforts to structurally improve Greenyard's tax rate. Part of this exercise is to realise a gradual reduction in the number of legal entities as well.
Net result is up by more than 70% YoY to € 11.7m driven by the lower financial charges and a significantly reduced tax rate. When adjusting for the non-cash impact of the fair value adjustment linked to the convertible bond, net result arrives at € 12.5m, an increase of 84% YoY.

Cash flow

Figure 8 - Cash flow statement for the 6 month period ending September 30

(in € million)	H1 16/17	H1 17/18	YoY
EBIT	39.6	38.4	-1.2
Adjustments	25.5	30.7	5.1
Increase (-)/decrease in working capital	-10.4	-24.9	-14.5
Taxes paid	-4.8	-2.7	2.1
Cash flow from operating activities	**50.0**	**41.5**	**-8.5**
CAPEX (incl. subs. & associates)	-24.2	-35.2	-11.0
Disposals (incl. subs. & associates)	1.8	3.2	1.4
Cash flow from investing activities	**-22.4**	**-32.0**	**-9.6**
Use / Repayments (-) on borrowings	-36.8	-10.3	26.5
Interest & finance income / expenses (-)	-24.4	-17.3	7.1
Share buyback program	0.0	-13.6	-13.6
Cash flow from financing activities	**-61.2**	**-41.2**	**20.0**
NET CHANGE IN CASH	**-33.6**	**-31.7**	**1.9**
FX effect	1.3	-1.0	-2.3

Key elements:

- Cash flow from operating activities remains solid at € 41.5m.
- Cash flow from investing activities shows a significant step up of € 9.6m which is the result of additional investments in Fresh (new DC's in Germany and the US) combined with the phasing of previous investments, which is now coming in.
- Cash flow from financing activities materially improved by € 20.0m thanks to the lower interest rates after the refinancing and a strong drop in net borrowing. This was slightly curbed by the impact of the buyback program ending on August 31.

CAPEX

Total CAPEX spent reached € 35.2m, representing an increase of € 11.0m YoY. The largest part is related to maintenance capex closely followed by capacity expansion and efficiency-related investments. Fresh witnessed a significant increase driven by investments in Germany (two new DC’s have been installed) and the new DC in the US which was officially opened in September. Besides these two regions, investments were also sizeable in both the Netherlands and Belgium mostly related to cooling control systems, ICT and others. Long Fresh’ investment pace was slightly lower YoY but by year-end this will be compensated.

Financial position

Net financial debt

Net financial debt on September 30, 2017 amounted to € 346.5m, which implies a YoY drop of € 32.5m. Hence, net financial debt/REBITDA dropped to 2.4x, which compares to 2.7x in H1 of last year. This is a very good achievement in view of the strong increase in investments and share buyback.

Working capital

Working capital dropped to -€ 116.3m vs. -€ 62.4m last year (September ’16). This implies that the working capital on sales ratio improved to -2.8% vs. -1.5% last year. This improvement of 130bps is largely driven by an improvement in our core working capital followed by an increase in factoring to € 363.2m. This implies factoring rose by € 22.2m vs. September last year but dropped by € 42.2m vs. year-end in March.

Mykogen acquisition being completed

On June 14, Greenyard announced the acquisition of Mykogen, a leading player in mushroom substrate. Meanwhile, approval from all competent authorities has been obtained and all necessary procedures finalised. As such, the transaction is being closed with consolidation as from December 1, 2017 hereby confirming the time line as set out in earlier communications. Mykogen adds about 2% to top line and 8% to group REBITDA on an annual basis, hereby lifting Horticulture to 15% of group REBITDA.

Outlook statement

The Board of Directors and management considers that Greenyard continues to be well positioned to deliver profitable growth and to unlock the synergy potential of the business combination going forward.

Subsequent events

Between September 30, 2017 and November 21, 2017 no significant events occurred.

Change in consolidation perimeter

The parent company of the Group is Greenyard, Sint-Katelijne-Waver, Belgium. The subsidiaries and associates of the Group as per September 30, 2017 are the same as presented in the annual report as per March 31, 2017 apart from:

- On July 17, 2017 Greenyard divested its stake in Greenyard Logistics Bulgaria
- On August 29, 2017 Greenyard divested its stake in Atabel

Declaration of the auditor

The auditor confirms that the limited review is completed and did not reveal any significant adjustments to the financial information included in the press release.

Financial calendar

- Q3 trading update 2017/2018	February 22, 2018 – after market
- FY results 2017/2018	June 5, 2018 – after market

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About Greenyard

Greenyard (Euronext Brussels: GREEN) is a global market leader of fresh and prepared fruit & vegetables, flowers, plants and growing media. Counting Europe's leading retailers amongst its customer base, the group provides 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 & vegetables at any moment, easy, fast and pleasurable, whilst fostering nature.

With more than 9,000 employees operating in 25 countries worldwide, Greenyard identifies its people and key customer and supplier relationships as the key assets which enable it to deliver goods and services worth € 4.25 billion per annum.

www.greenyard.group

Disclaimer

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Glossary

EBIT	Operating result
REBITDA	EBIT corrected for depreciation, amortisation and impairments excluding non-recurring items and EBIT corrected for depreciation, amortisation and impairments from minor divested operations
Net Financial Debt	Interest-bearing debt (at nominal value) less bank deposits, cash and cash equivalents
Leverage	Net financial debt/ last twelve months REBITDA
Non-recurring items	Non-recurring items mean any items that, in the opinion of management of the Company, must be disclosed (either on the face of the consolidated income statement of the Group or separately in the notes to the financial statements) by virtue of their size or incidence and including but not limited to certain restructuring activities, impairments, gains or losses on disposal of investments and IFRS 3 acquisition accounting and the effect of the accelerated repayment of certain financial indebtedness.
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.
EPS	Earnings Per Share
H1 16/17	First half of accounting year ending March 31, 2017
H1 17/18	First half of accounting year ending March 31, 2018

APPENDIX 1: Consolidated income statement

Consolidated income statement (in € million)	September '16	September '17
Sales	2,146.1	2,094.5
Cost of sales	-1,991.7	-1,942.7
Gross profit/loss (-)	**154.3**	**151.9**
Selling, marketing and distribution expenses	-47.0	-47.0
General and administrative expenses	-64.0	-67.5
Other operating income	2.9	3.0
Share of profit/loss (-) of equity accounted investments	-0.7	0.1
EBIT before non-recurring items *	**45.5**	**40.5**
Non-recurring items **	-5.9	-2.1
EBIT	**39.6**	**38.4**
Interest expense	-21.2	-14.3
Interest income	1.0	0.2
Other finance result	-6.6	-4.5
Net finance income / cost (-)	**-26.7**	**-18.6**
Profit/loss (-) before income tax	12.9	19.8
Income tax expense (-)/income	-6.1	-7.4
Profit/loss (-) for the period	**6.8**	**12.4**
Attributable to:		
The shareholders of the Group	6.8	11.7
Non-controlling interest	0.0	0.7

* EBIT before non-recurring items can be reconciled to REBITDA, by adding mainly depreciation and amortisation cost

** Non-recurring items include the items disclosed in Figure 5 and other items for €1.1m, mainly related to the post-sale settlement of H-pack/H-fruit

APPENDIX 2: Consolidated statement of financial position

ASSETS (in € million)	March '17	September '17
NON-CURRENT ASSETS	**1,265.2**	**1,260.7**
Property, plant & equipment	376.0	378.5
Goodwill	591.9	591.9
Other intangible assets	238.5	232.8
Biological assets	20.4	20.5
Investments accounted for using equity method	9.0	9.5
Other financial assets	0.2	0.2
Deferred tax assets	22.6	22.5
Trade and other receivables	6.7	4.8
CURRENT ASSETS	**725.5**	**673.3**
Biological assets	0.1	0.0
Inventories	296.2	344.1
Trade and other receivables	313.9	248.1
Other financial assets	2.0	1.1
Cash and cash equivalents	113.2	80.0
TOTAL ASSETS	**1,990.7**	**1,934.1**

EQUITY AND LIABILITIES (in € million)	March '17	September '17
EQUITY	**706.2**	**691.6**
Issued capital	288.4	288.4
Share premium and other capital instruments	317.9	317.9
Consolidated reserves	91.3	80.0
Cumulative translation adjustments	-2.9	-6.9
Non-controlling interests	11.6	12.2
NON-CURRENT LIABILITIES	**517.7**	**508.1**
Employee benefit liabilities	21.2	21.0
Provisions	8.9	9.9
Interest-bearing loans	410.5	399.1
Other financial liabilities	28.6	28.5
Trade and other payables	1.1	1.1
Deferred tax liabilities	47.5	48.5
CURRENT LIABILITIES	**766.7**	**734.4**
Provisions	0.9	0.6
Interest-bearing loans	8.4	10.5
Other financial liabilities	0.8	2.4
Trade and other payables	756.6	720.9
TOTAL EQUITY AND LIABILITIES	**1,990.7**	**1,934.1**

APPENDIX 3: Reconciliation Working Capital

Reconciliation Working Capital (in € million)		September '17	
	As reported	Reconciliation	Total
Inventories	344.1	-	344.1
Trade and other receivables (non-current/current) [1]	252.9	-5.1	247.8
Trade and other payables [2]	-720.9	12.7	-708.1
Working Capital			**-116.3**

[1] Long term (financing) receivables (€ 4.5m) and accrued interest income (€ 0.6m) are excluded from the reported working capital
[2] Accrued interest expenses (€ 4.2m) and dividends payable (€ 8.5m) are excluded from the reported working capital

Reconciliation Working Capital (in € million)		March '17	
	As reported	Reconciliation	Total
Inventories	296.2	-	296.2
Trade and other receivables (non-current/current) [1]	320.6	-7.4	313.2
Trade and other payables [2]	-756.6	8.1	-748.5
Working Capital			**-139.1**

[1] Long term (financing) receivables (€ 6.9m) and accrued interest income (€ 0.5m) are excluded from the reported working capital
[2] Accrued interest expenses (€ 8.1m) are excluded from the reported working capital

For reconciliation of REBITDA and Net Financial Debt, see half-year report.