

# ForFarmers H1 2020 results



# Notifications and disclaimer

## Reporting standards

The results in this presentation are derived from the ForFarmers interim 2020 financial statements which have not been audited by the external auditor and have been drawn up in accordance with the International Financial Reporting Standards as adopted by the EU (IFRS).

### General remark:

presented percentages are calculated on the rounded amounts in million euro with one decimal.

## Supervision

In view of the fact that shares are freely traded on Euronext Amsterdam, ForFarmers operates under the supervision of the Financial Markets Authority (AFM) and the company acts in accordance with the prevailing regulations for share-issuing companies.

## Important dates

|            |  |
|------------|--|
| 15-09-2020 | Announcement Strategy 2020-2025<br>(Capital Markets Day) |
| 30-10-2020 | Q3 2020 Trading update                                   |
| 11-03-2021 | 2020 Annual Results and<br>2020 Annual Report            |
| 23-04-2021 | General Meeting<br>of Shareholders                       |
| 06-05-2021 | Q1 2021 Trading update                                   |
| 13-08-2021 | Publication 2021 half-year results                       |
| 02-11-2021 | Q3 2021 Trading update                                   |

## Forward-looking statements

This presentation contains forward-looking statements, including those relating to ForFarmers legal obligations in terms of capital and liquidity positions in certain specified scenarios. In addition, forward-looking statements, without limitation, may include such phrases as "intends to", "expects", "takes into account", "is aimed at", "plans to", "estimated" and words with a similar meaning. These statements pertain to or may affect matters in the future, such as ForFarmers future financial results, business plans and current strategies. Forward-looking statements are subject to a number of risks and uncertainties, which may mean that there could be material differences between actual results and performance and expected future results or performances that are implicitly or explicitly included in the forward-looking statements. Factors that may result in variations on the current expectations or may contribute to the same include but are not limited to: developments in legislation, technology, jurisprudence and regulations, share price fluctuations, legal procedures, investigations by regulatory bodies, the competitive landscape and general economic conditions. These and other factors, risks and uncertainties that may affect any forward-looking statements or the actual results of ForFarmers, are discussed in the last published annual report. The forward-looking statements in this presentation are only statements as of the date of this document and ForFarmers accepts no obligation or responsibility with respect to any changes made to the forward-looking statements contained in this document, regardless of whether these pertain to new information, future events or otherwise, unless ForFarmers is legally obliged to do so.



# Agenda

## Highlights

Yoram Knoop

**Financial Results H1 2020**

**Horizon 2020 - Update**

**Outlook and summary**

**Questions**

# Financial results H1 2020



# Market and sector developments per cluster in 2020

## General

Political and public pressure on agricultural sector in Europe to reduce environmental impact (especially in NL and GE)

Closure of out-of-home segment due to COVID-19 puts pressure on sales of farmers and on prices of meat, dairy and eggs

## The Netherlands

€5 bn allocated for nature recovery and reduction of nitrogen emissions; proposed generic feed measures leading to unrest in sector

Warm restructuring pig sector over subscribed; pig herd will become smaller

Due to corona infection staff in slaughterhouses: temporary import bans for pigs by China

## Belgium

Export ban on pig meat to certain countries outside of Europe still valid; expected to be lifted in Q4 2020

Pig herd slightly decreased;

Cattle farmers impacted additionally by closure of out-of-home sector

## Germany

Increasing pressure on swine sector to reduce environmental impact phosphate and ammonia

Increasing interest in animal welfare and environmentally friendly measures

Demand for non-GMO<sup>1</sup> feed continues to grow

## Poland

Growing global demand for poultry products as alternative to pig meat

AI<sup>2</sup> (bird flu) detected; import ban put in place by non-EU countries; pressure on broiler prices

Closure of out-of-home sector big impact on sales of poultry farmers; pressure on broiler prices

## United Kingdom

Demand for dairy products declined, impacting the milk price and therefore milk production fell

Pig sector: despite COVID-19 measures production fairly stable

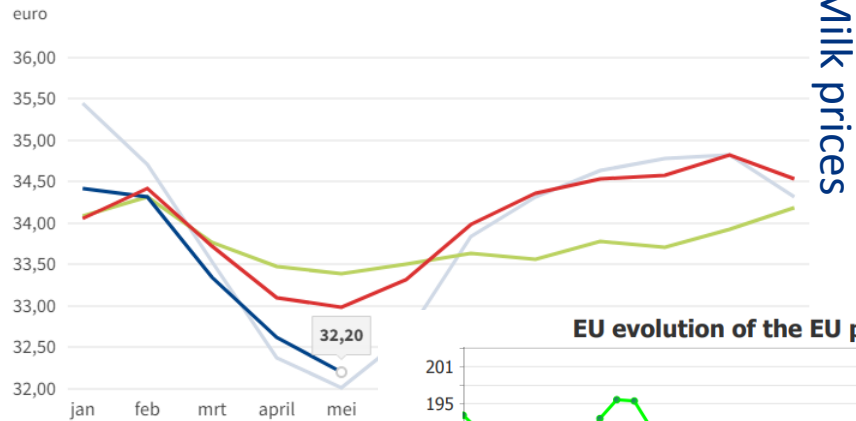
Outcome trade agreements post Brexit still uncertain

# General price developments

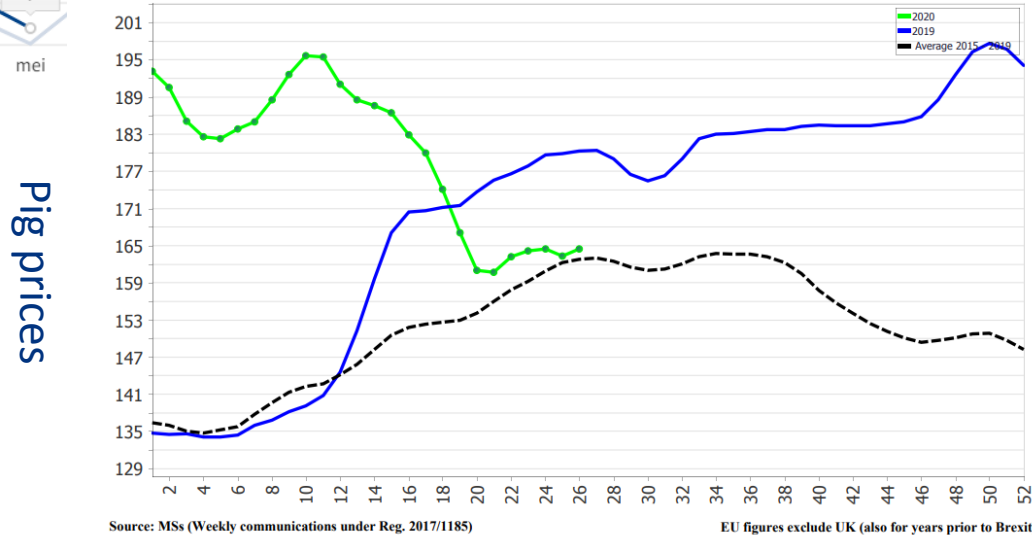
## Gemiddelde melkprijs mei

In euro per 100 kg melk, 4,2% vet, 3,4% eiwit, 1.000.000 kg/jaar, kiemgetal 24.999, celgetal 249.999 per ml, ex btw, incl toeslagen

2018 2019 2020 5 jaar gemiddelde 2013-2017

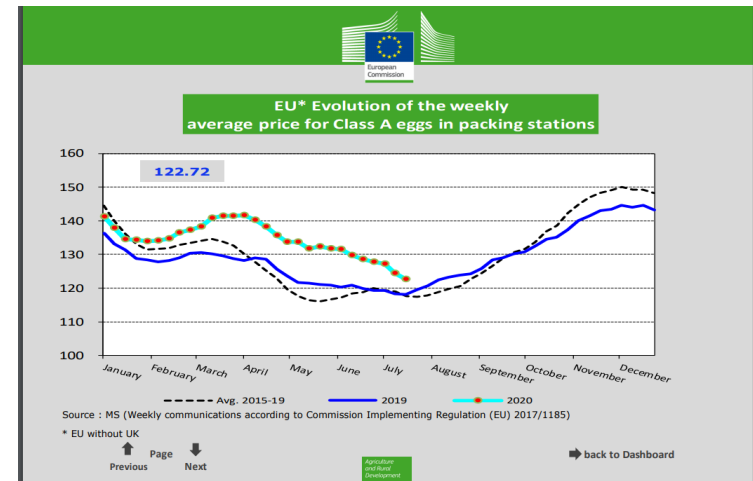
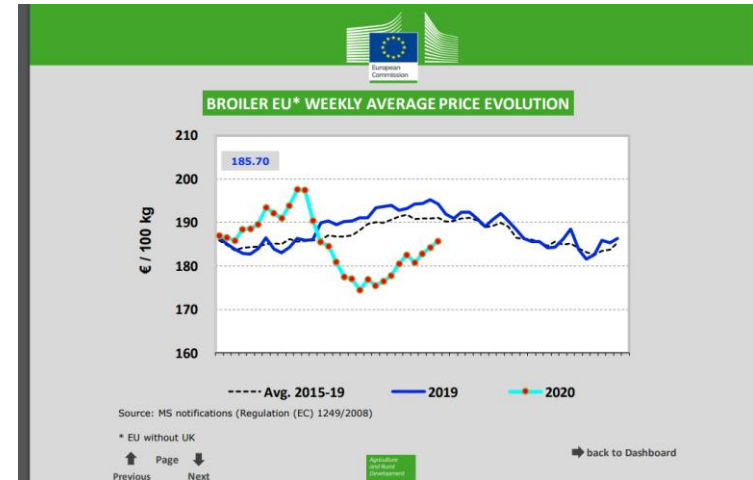


## EU evolution of the EU pig carcase prices (€/100kg)



Source: MSs (Weekly communications under Reg. 2017/1185)

EU figures exclude UK (also for years prior to Brexit)



# Key financials H1 2020

*Solid recovery, supported by efficiency measures – despite challenging markets*

**Total Feed-volume**  
-5.6% to 4.8 mT

**Compound feed volume**  
-4.9% to 3.4 mT;

Share of specialties increased however

**Gross profit**  
+2.5% to €219.5m;

H1 2019 weak (purchasing position)

H1 20 better product mix with more specialties

**Underlying<sup>1</sup> EBITDA**  
+34.6% to €48.2m

Supported by accelerated realisation of efficiency programme

**Underlying Profit**  
+80.7% to €21.5m

**Underlying EBITDA/Gross profit**

**22.0%**  
(H1 2019: 16.7%)

**Net cash flow from operating activities**

**€14.2m**  
(H1 2019: €4.8m)

**Working capital**  
€ 76.5m

improvement (y-o-y)  
€14.9m

**LTIs<sup>2</sup>**  
-21% to 15

(H1 2019: 19)



General: there was virtually no impact from currency translation or M&A in H1 2020;

1. 'Underlying' means excluding incidental items, see Note 12 of the interim financial statements 2020 regarding Alternative Performance Measures (APMs); 2. LTIs mean Lost Time Incidents

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### Financial Results H1 2020

Roeland Tjebbes

## Horizon 2020 - Update

## Outlook and summary

## Questions



# Underlying EBITDA development<sup>1</sup>

| <i>(in €m)</i>                           | H1-20        | H1-19        | Total %     | Comments  |
|--|--------------|--------------|-------------|---|
| <b>Total Feed volume (in mT)</b>         | <b>4.8</b>   | <b>5.1</b>   | -5.6%       | A.o. due to 'stoppers arrangement' swine in NL, bird flu in PL, margin policy, COVID-19 impact in Q2 2020 |
| <i>Of which: Compound Feed</i>           | 3.4          | 3.6          | -4.9%       |   |
| <b>Gross profit</b>                      | <b>219.5</b> | <b>214.1</b> | 2.5%        | Better product mix with larger share of specialties; H1 2019 impacted by unfavourable purchasing position |
| <i>Underlying operating expenses</i>     | -192.6       | -198.4       | -2.9%       | Realisation efficiency measures and volume related cost decline   |
| Underlying EBIT                          | 27.5         | 16.0         | 71.9%       |   |
| Underlying depreciation and amortisation | -20.7        | -19.8        | 4.5%        | Impact of higher investment programmes of previous years  |
| <b>Underlying EBITDA</b>                 | <b>48.2</b>  | <b>35.8</b>  | <b>34.6</b> |   |
| <b>Translation-effect</b>                | 0.1          |              |             |   |
| Underlying EBITDA at constant currencies | 48.3         | 35.8         | 34.9%       | Zloty and Pound sterling lower (y-o-y)  |



*Presented percentages have been calculated on the rounded amounts in million euro with one decimal and additions may lead to small differences due to rounding; 1) In light of the very limited impact of currency translation and M&A these are not presented this time; 2. LFL stands for Like-For-Like; and means the change excluding currency impact and acquisitions and divestments*

# Profit development

| <i>(in €m)</i>                                 | H1-20        | H1-19        | Comments  |
|--|--------------|--------------|---|
| <b>Underlying EBIT</b>                         | <b>27.5</b>  | <b>16.0</b>  |   |
| Underlying net finance costs                   | -1.6         | -1.3         | Mainly due to higher debt because of SBB <sup>2</sup> , final settlement acquisitions, investment programme and dividend distribution |
| Share of profit of equity-accounted investees  | 2.7          | 1.7          | Increase trade and production volumes HaBeMa (JV transshipment activities, DE)  |
| Incidental items                               | -2.3         | -4.3         | Accrual (€1.6m) put option Tasomix, increase earn-outs (€0.2m) and restructuring costs (€0.6m) regarding efficiency measures          |
| Income tax expenses                            | -6.6         | -2.8         | Due to higher result  |
| <b>Profit for the period</b>                   | <b>19.5</b>  | <b>9.2</b>   |   |
| Non-controlling interests                      | 0.2          | 0.2          |   |
| Profit (attributable to owners of the company) | 19.3         | 9.0          |   |
| <b>Underlying profit</b>                       | <b>21.5</b>  | <b>11.9</b>  |   |
| Underlying earnings per share (in €)           | 0.22         | 0.12         | Due to higher result; impact SBB limited  |
| Underlying effective tax rate                  | 26.4%        | 25.6%        | Mainly due to change in tax rate in UK  |
| <b>ROACE<sup>1</sup></b>                       | <b>19.3%</b> | <b>15.6%</b> |   |



General remark: additions may lead to small differences due to roundings;

1. ROACE defined as underlying EBITDA/average capital employed over 12 months rolling average; based on underlying EBIT it increased from 8.9% (H1 19) to 11.4% (H1 20); 2. SBB means share buy-back programme

# Healthy capital structure

| (in €m)                            | 30-06-2020  | 31-12-2019  | Comments  |
|------------------------------------|-------------|-------------|---|
| <b>Total Assets</b>                | 831.5       | 865.5       |   |
| <b>Equity</b>                      | 378.7       | 418.4       | Net effect: profit (€19.5m) minus dividend distribution (-€27.2m), SBB <sup>1</sup> (-€12.7m), remeasurement pensions (-€10.4m, mainly in UK) and currency translation effect (-€8.1m) <sup>4</sup> |
| <b>Solvency ratio</b>              | 45.5%       | 48.3%       |   |
| <b>Net working capital</b>         | <b>76.5</b> | <b>48.7</b> | Particularly seasonal effect sales of fertilizer and seeds; y-o-y improvement net working capital by €14.9m   |
| - Current assets <sup>2</sup>      | 324.1       | 328.6       |   |
| - Current liabilities <sup>3</sup> | 247.6       | 279.9       |   |
| <b>Ratio overdue receivables</b>   | 14.4%       | 16.1%       | Especially due to decrease in NL  |
| <b>Net Debt / (Cash)</b>           | 51.0        | 7.0         | Due to investment programme, dividend distribution, SBB and higher working capital, partly compensated by net cash from operating activities  |

General remark: additions may lead to small differences due to rounding

1. SBB means share buy back programme (started in May 2019); 2. current assets excluding cash and cash equivalents;  
3. current liabilities excluding bank overdrafts and lease liabilities; ; 4. for more details see interim statement 2020



# Cash flow development

| <i>(in €m)</i>  | H1-20        | H1-19 | Comments  |
|---|--------------|-------|---|
| <b>Net cash flow from operating activities</b>            | <b>14.2</b>  | 4.8   | Better result H1 20, partly offset by higher working capital (vs end 2019)  |
| Net cash flow from investing activities                   | -17.2        | -14.1 | Final settlement earn out Veluten Steijn Voeders and Wilde Agriculture (€8.9m); lower maintenance investments (fewer mills) |
| Net cash flow from financing activities                   | -12.4        | -40.2 | Higher debt due to SBB <sup>1</sup> and dividend distribution   |
| <b>Net increase/decrease in cash and cash equivalents</b> | <b>-15.3</b> | -49.4 |   |
| Cash and cash equivalents (1 January)                     | 15.4         | 38.4  |   |
| Currency translation effect                               | 1.3          | 0.7   |   |
| <b>Cash and cash equivalents (31 December)</b>            | <b>1.4</b>   | -10.3 |   |

# Alternative Performance Measures<sup>1</sup> (incidental items)

| <i>(in €m) adjustments on different levels</i> | Impairments   |         | Business combinations and divestments   |         | Restructuring  |         | Other   |         | Total APM items |         |
|--|---|---------|---|---------|--|---------|---|---------|-----------------|---------|
|  | H1-2020   | H1-2019 | H1-2020   | H1-2019 | H1-2020  | H1-2019 | H1-2020   | H1-2019 | H1-2020         | H1-2019 |
| On EBITDA <sup>A</sup>                         | -   | -       | -0.2  | 0.9     | -0.6   | -2.6    | -   | -0.5    | -0.8            | -2.3    |
| On EBIT <sup>B</sup>                           | -   | -4.7    | -0.2  | 0.9     | -0.6   | -2.6    | -   | -0.5    | -0.8            | -7.0    |
| On Net financing result <sup>C</sup>           | -   | -       | -1.6  | 2.6     | -  | -       | -   | -       | -1.6            | 2.6     |
| On Tax   | -   | 0.9     | 0.1   | -0.2    | 0.1  | 0.6     | -   | 0.2     | 0.2             | 1.5     |
| On Profit to shareholders                      | -   | -3.7    | -1.8  | 3.3     | -0.5   | -2.0    | -   | -0.3    | -2.3            | -2.9    |
| <i>Comment</i>                                 | <b>H1-20:</b> zero<br><b>H1-19:</b> closure mills (NL+UK) due to efficiency-programme & ceasing construction of mill DE (B) |         | <b>H1-20:</b> accrual put option liability (€1.6m) (C) and settlement earn-outs (€0.2m) (A+B)<br><b>H1-19:</b> gain on sale real estate in NL (A+B), accrual put option liability and contingent (gain) earn-outs (C) |         | <b>H1-20:</b> projects relating to efficiency programme (A+B)<br><b>H1-19:</b> closure mills and projects relating to efficiency programme (A+B) |         | <b>H1-20:</b> zero<br><b>H1-19:</b> ceasing construction of mill DE |         |                 |         |

1. Underlying performance measures are alternative performance measures that are not defined by IFRS. For further information see Note 12 of the interim statement 2020; (A,B,C): reference note in the comment section; General remark: additions may lead to small differences due to rounding

# Results the Netherlands/Belgium

| (in €m)                                | H1-20        | H1-19        | Comments  |
|--|--------------|--------------|---|
| <b>Total Feed volume (in kT)</b>       | <b>2,516</b> | <b>2,586</b> | <ul style="list-style-type: none"> <li>- Effect COVID-19 on cattle farmers (closure out-of-home sector)</li> <li>- Stoppers arrangement pig farmers NL</li> <li>- More volume to poultry farmers NL</li> <li>- More sales of co-products</li> </ul> |
| Revenue                                | 615.5        | 657.3        |   |
| <b>Gross profit</b>                    | <b>123.3</b> | <b>116.8</b> | Better product mix with a.o. more concentrates  |
| Underlying operating expenses          | -95.5        | -95.7        | <ul style="list-style-type: none"> <li>- Staffing costs stable (fewer FTEs &amp; wage indexation)</li> <li>- Lower volume related costs</li> <li>- Higher overhead allocation</li> </ul>  |
| <b>Underlying EBITDA</b>               | <b>34.8</b>  | <b>27.5</b>  |   |
| Underlying EBIT                        | 28.2         | 21.2         |   |
| <b>Underlying EBITDA/Gross profit</b>  | <b>28.2%</b> | <b>23.6%</b> |   |
| <b>ROACE</b><br>(on underlying EBITDA) | <b>39.1%</b> | <b>35.4%</b> |   |



Presented figures are calculated on the rounded amounts in € million with one decimal and additions may lead to small differences due to roundings;

# Results Germany/Poland

| (in €m)                                | H1-20        | H1-19        | Comments   |
|--|--------------|--------------|--|
| <b>Total Feed volume (in kT)</b>       | <b>1,057</b> | <b>1,103</b> | <ul style="list-style-type: none"> <li>- Higher sales in dairy sector</li> <li>- Lower sales in pig sector (environmental measures DE)</li> <li>- Lower volume in poultry sector; lower growth in PL due to bird flu and COVID-19 measures + decrease in DE</li> </ul> |
| Revenue                                | 278.2        | 298.8        |  |
| <b>Gross profit</b>                    | <b>38.4</b>  | <b>36.1</b>  | Higher volumes in PL; better product mix in DE due to focus on specialties and margin policy   |
| Underlying operating expenses          | -36.1        | -34.8        | Related to volume growth in PL, Pionki region  |
| <b>Underlying EBITDA</b>               | <b>6.9</b>   | <b>5.9</b>   |  |
| Underlying EBIT                        | 2.3          | 1.4          |  |
| <b>Underlying EBITDA/Gross profit</b>  | <b>18.0%</b> | <b>16.3%</b> |  |
| <b>ROACE</b><br>(on underlying EBITDA) | <b>8.7%</b>  | <b>8.0%</b>  |  |



# Results United Kingdom

| (in €m)                                | H1-20        | H1-19        | Comments   |
|--|--------------|--------------|--|
| <b>Total Feed volume (in kT)</b>       | <b>1,220</b> | <b>1,390</b> | <ul style="list-style-type: none"> <li>- Decrease in ruminant sector (COVID and mild spring)</li> <li>- Large customer (pig farmer) with fewer animals</li> <li>- Margin policy</li> </ul> |
| Revenue                                | 294.8        | 338.7        |  |
| <b>Gross profit</b>                    | <b>57.5</b>  | <b>60.9</b>  | Margin/tonne improved; could not compensate volume decline   |
| Underlying operating expenses          | -55.5        | -59.5        | Closure 2 mills; lower volume related costs  |
| <b>Underlying EBITDA</b>               | <b>9.6</b>   | <b>8.8</b>   |  |
| Underlying EBIT                        | 2.1          | 1.4          |  |
| <b>Underlying EBITDA/Gross profit</b>  | <b>16.7%</b> | <b>14.5%</b> |  |
| <b>ROACE</b><br>(on underlying EBITDA) | <b>14.3%</b> | <b>10.8%</b> |  |



**ULTRA**  
Total Pig Performance



**VITA**  
FEEDING THE FUTURE





# Agenda

Highlights

Financial Results H1 2020

**Horizon 2020 - Update**

Yoram Knoop

Outlook and summary

Questions

# Horizon 2020 – Activities update



## Focus on attractive segments

- Further growth share of specialties
- More interest in data-driven solutions
- Growth of segment robot milking



## Partner and deliver the Total Feed Business portfolio

- Focus on co-products in combination with concentrates; optimisation of rations
- Investments in customer friendly digitisation through TFS<sup>1</sup>



## Acquisitions (& divestments)

- Final settlement acquisitions (Vleuten-Steijn in NL; Wilde Agriculture in UK)



## One ForFarmers Functional excellence & leverage scale

- LTIs<sup>2</sup> down by 21% (y-o-y); 39% down in FY2019 (y-o-y)
- Efficiency plans 2019-2020 (cost saving €10m in 2021 versus 2018) realised sooner
- Further expansion network of strategic partners (production & transport)

# Horizon 2020 – deliverables update



## Employee development

- COVID-19 measures implemented, among which working from home;
- A lot of attention for physical and mental health of employees;
- E-marketing and E-learning accelerated and implemented pragmatically



## Total nutrition solutions

- Contribution knowledge in animal friendly solutions in nitrogen debate;
- NIC contribution to sector wide research projects;
- Good technical results Apollo in poultry sector



## Results 2019

- Total Feed-volume -5.6% to 4.8mT  
*of which compound feed volume -4.9%*
- Underlying EBITDA +34.6% to €48.2m
- Underlying profit +80.7% to €21.5m
- *Underlying EBITDA/gross profit 22.0% (2019: 16.7%)*

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Highlights

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Questions

# Outlook per sector



## Ruminants

- Global outlook slightly positive
- European dairy- and meat consumption stabilising
- Nitrogen discussion in NL can limit growth in sector



## Swine

- Demand from China due to ASF<sup>1</sup> remains strong
- European consumption slowly declining
- Swine herd size shrinking, particularly in NL ('warme sanering') and DE
- ASF still present in Eastern Europe; measures remain in force



## Poultry

- Growing consumption poultry products & more demand from Asia (alternative to pig meat)
- Bird flu in PL; import ban by non-EU countries for poultry meat
- Closure out-of-home sector (COVID-19); putting pressure on sales poultry farmers (full valorisation)

# Outlook markets

Impact and duration of COVID-19 uncertain; possible impact on sales dairy, meat and eggs to out-of-home sector

Continuation volatility raw material prices & currency markets; geopolitical trade developments

Trade agreements post Brexit uncertain - farmers in UK remain reluctant to expand their herd sizes

Nitrogen debate in NL; impact on pig herd and dairy herd; impact on production (milk and protein) still unclear



# Outlook results

## Expectation

- Also in H2 2020 impact expected of COVID-19
- Next step to make organisation more efficient will be announced in H2 2020
- Compared to weak result 2019: a comfortably higher underlying EBITDA and underlying net profit in 2020
- On **15 September 2020** publication of **strategy 2020-2025** with associated objectives

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Highlights

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**FOR THE FUTURE  
OF FARMING**