



LOTUS BAKERIES: HALF-YEAR RESULTS 2020

“Lotus Bakeries wishes to express its respect and appreciation for the efforts of its more than 2,000 employees over the past few months, during the COVID-19 pandemic. This has enabled us to guarantee the continuity of all departments, in safe working conditions.”

- CEO, Jan Boone

1. Half-year results 2020

Income statement ⁽¹⁾ (in thousands of EUR)	30/06/2020	30/06/2019	Evolution %	
Turnover	323,271	298,134	+	8.4
Recurrent operating result (REBIT) ⁽²⁾	55,030	51,235	+	7.4
Recurrent operating cash flow (REBITDA) ⁽³⁾	67,074	60,918	+	10.1
Non-recurrent operating result	(4,007)	(2,373)	+	68.9
Operating result (EBIT) ⁽⁴⁾	51,023	48,862	+	4.4
Financial result	(2,547)	(1,573)	+	61.9
Profit for the year before taxes	48,476	47,289	+	2.5
Taxes	(10,295)	(11,047)	-	6.8
Net result	38,181	36,242	+	5.3
Recurrent net result	41,337	38,060	+	8.6
Total number of shares on 30 June ⁽⁵⁾	810,244	808,038	+	0.3
Key figures per share (in EUR)				
Recurrent operating result (REBIT)	67.92	63.41	+	7.1
Recurrent operating cash flow (REBITDA) ⁽³⁾	82.78	75.39	+	9.8
Balance sheet (in thousands of EUR)				
Balance sheet total	848,486	799,400	+	6.2
Equity	391,555	357,055	+	9.7
Investments ⁽⁶⁾	31,022	72,714	-	57.3
Net financial debts ⁽⁷⁾	170,870	152,506	+	12.0

(1) Further information on the income statement and balance sheet can be found on the website: www.lotusbakeries.com

(2) REBIT is defined as the recurrent operating result, consisting of all the proceeds and costs relating to normal business.

(3) Recurrent operating cash flow is defined as recurrent operating result + depreciations + provisions and amounts written off + non-cash costs valuation option and warrant plan.

(4) EBIT is defined as recurrent operating result + non-recurrent operating result.

(5) Total number of shares on 30 June, excluding treasury shares.

(6) Investments in tangible, intangible fixed assets and participating interests.

(7) Net financial debts are defined as interest bearing financial debts - investments - cash and cash equivalents - treasury shares, and are reported excluding the 'lease liability' that results from the implementation of the IFRS 16 Leases standard. Including this 'lease liability', the net financial debts amount to kEUR 179,167.

The statutory auditor, PwC Bedrijfsrevisoren, represented by Lien Winne, has executed a review of the consolidated balance sheet and consolidated interim financial information. The statutory auditor has no comments. For the statutory auditor's report we refer to the Interim Financial Report on our website.



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2. Key points

In the first half of 2020, Lotus Bakeries **Group's** consolidated turnover increased by EUR 25.1 million to EUR 323.3 million, representing 8.4% growth. This significant growth is mainly due to Lotus Biscoff®, which was able to accelerate its widespread international expansion for its three concepts: Biscoff® Cookie, Biscoff® Spread and Biscoff® Ice Cream. After a strong 2019, the Natural Foods brands managed to continue their growth path during the first quarter of 2020, until the lockdowns took effect. In fact, these global lockdowns negatively impacted all Lotus Bakeries products consumed on the go and out of home.

All 12 of the **Group's** production sites remained operational throughout the first half of the year. As a result, our customers and consumers were always assured of their favourite products. However, Lotus Bakeries had to incur significant extra expense in order to ensure the safety of its employees and the continuity of its operations.

Short decision-making lines, which enabled us to adapt rapidly to constantly changing circumstances, the commitment of all of our employees and strong revenue growth, translated into a healthy growth in profitability in the first half of the year.

3. Impact of COVID-19

The most direct and negative impact of COVID-19 on Lotus **Bakeries'** revenue is on products which find their way to consumers via the out-of-home channel. Those brands and products specifically designed for an on-the-go consumption moment have also experienced falling demand during this crisis.

The out-of-home channel comprises all sales, direct or indirect, to cafés and cafeterias, airlines, hotels, restaurants, cruise ships, cinemas, events, theme parks, schools, hospitals, etc. The pandemic has naturally had a very significant impact on this channel.

The global imposition of lockdowns, in which offices and schools were closed, and fewer journeys were made to work, to visit family or out of the home, had a significant impact on products and brands that are mainly consumed on the go. The Nākd, TREK and BEAR brands, which are mainly consumed by active young people and families, as healthy alternatives that are also convenient, were severely impacted by this from mid-March onwards. The Dutch on-the-go gingerbread brand Snelle Jelle also experienced a strong negative impact.

During the lockdown and throughout the first half of the year, all 12 of the **Group's** production sites remained operational. Lotus Bakeries managed to organize production so as to balance the safety and availability of employees with the regulatory requirements and market demand. Naturally, this involved significant extra COVID-19 expenses, which are included in the results for the first half of the year. At no time did the company rely on furlough schemes. In addition, as a manufacturing company, Lotus Bakeries relies on various suppliers and carriers to manufacture our products and transport them to customers. This supply chain also remained intact throughout the first half of the year.

CEO Jan Boone:

“During the first half of the year, COVID-19 had a significant impact on operations and ways of working within Lotus Bakeries. As management, we’re therefore extremely pleased that, together with our more than 2,000 employees, we have steered the business through this unprecedented crisis safely and successfully.”





4. Growth and innovations in Biscoff®

The internationalization of Lotus Biscoff® forms a major pillar of our strategy. The growth of Lotus Biscoff® in the first six months of 2020 was extraordinary. Lotus Biscoff® proved itself once more a consistent and robust growth driver.

- a. Biscoff® Cookie and Biscoff® Spread experienced strong growth once more in the large consumer markets of the United States (US), the United Kingdom (UK), France and China. The first half of the year was also characterized by general growth in almost all parts of the world and countries. Besides the home countries of Belgium and the Netherlands, double-digit growth was also recorded in the Czech Republic, Switzerland, Sweden, South Korea, Saudi Arabia, the United Arab Emirates, Japan, Turkey, Australia, Singapore, Canada, Egypt and Indonesia.
- b. Biscoff® Ice Cream was launched internationally last year with an extensive new range. Ice Cream has made further breakthroughs this year: distribution and sales are growing strongly in supermarkets in the US, the UK, France and South Korea, while Biscoff® Ice Cream has also been launched in additional countries such as Switzerland, Spain, Austria and the Czech Republic, and in the Middle East.
- c. The latest addition to the Lotus Biscoff® family, the Biscoff® Sandwich Cookie, was launched in four countries, namely Belgium, France, the UK and the US, in the first half of the year. The cookie is available with three different fillings: our own Biscoff® Spread, vanilla and chocolate cream. The launch took place for the time being with limited activation in store and without media support. Nevertheless, the flow into the four countries went according to plan and initial indications for retail sales are positive. By the end of the year, the product will be launched in additional countries. To enable us to produce these additional volumes, we decided to invest in a new Biscoff® Sandwich Cookie production line in Lembeke, Belgium.





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d. Lotus Bakeries makes its debut in the Chocolate Category in Belgium.

Following the recent launch of both the Biscoff® Sandwich Cookie and the new international range of Biscoff® Ice Cream, the next Biscoff® innovation will already be launched in Belgium in the second half of the year.

The unique Biscoff® taste forms the basis for a specially developed new range of Lotus Biscoff® chocolate. The range will consist of two varieties: milk chocolate with crunchy Biscoff® pieces and milk chocolate with smooth Biscoff® Spread filling. Both varieties will be available both as bars and in a mini-version. These delicious products will be available in Belgian supermarkets from the autumn.





5. Financial statement on half-year figures

The recurrent operating cash flow (REBITDA) amounts to EUR 67.1 million or 20.7% of turnover, and increased by EUR 6.2 million year on year, representing 10.1% growth.

The increase in turnover is complemented by a positive contribution to the commercial margin. During the first quarter, the Group invested further in media support with campaigns for Biscoff® in Belgium, France, the UK and Spain, for Nākd in the UK and Belgium, for Peijnenburg in the Netherlands, for waffles in France and Belgium, and for cakes in Belgium. The planned reinforcement of sales and marketing teams for both the Natural Foods Business Unit and the Biscuits & Bakery Business Unit began in the first half of the year and will continue in the course of 2020.

In the second half of last year, both the Lotus Biscoff® factory in the United States and the BEAR factory in South Africa went into operation. The BEAR factory in South Africa made a positive contribution to the results in the first half of the year, thanks to good volumes and a strong operating performance. The Lotus Biscoff® factory in the US was opened in August last year and is now fully operational. As a result of both investments, depreciation charges rose by more than EUR 2 million in the first half of the year. Due to these additional depreciations, the growth of the recurrent operating result (REBIT) is lower than that of the recurrent operating cash flow in absolute terms. The recurrent operating result amounts to EUR 55.0 million or 17% of turnover, representing an increase of EUR 3.8 million year on year.

The non-recurrent operating result amounts to EUR -4 million and is primarily made up of direct COVID-19 costs in order to guarantee continuity and safety in the factories. In addition, expenses were incurred to support the Biscoff® factory in the US and for the accompanying installation and start-up of the BEAR packaging line.

The financial result of EUR -2.5 million consists primarily of interest expenses and realized foreign exchange gains and losses on balance sheet positions in foreign currencies.

The tax expense decreased to EUR 10.3 million or 21.2% of the profit before taxes. The recent nominal rate reduction in Belgium to 25% had a positive impact on the tax expense. Factors such as the exemption obtained from double taxation also had a one-off positive effect. This also led to a one-off reduction in the effective tax expense.

The recurrent net profit rose by nearly 9% to EUR 41.3 million or 12.8% of turnover. The recurrent net result consists of the reported net result minus non-recurrent costs. The net profit, which includes non-recurrent costs, increased by 5.3% to EUR 38.2 million.

Over the last 12 months, Lotus Bakeries generated a record operating cash flow of EUR 124 million. During this period, the company also invested in the acquisition of shares in Natural Balance Foods and major strategic and expansion projects such as the Biscoff® factory in the US, the packaging line for BEAR in the US and the first Biscoff® Sandwich Cookie line in Belgium. Finally, the growth and innovations required extra working capital. Despite these major expenses, thanks to the strong cashflow, the increase in net financial debt remained slight compared to June 2019. The net financial debt/REBITDA ratio remains low at around 1.4.





6. Lotus Bakeries acquires the majority of the remaining stake of Natural Balance **Foods'** founders

In May, Lotus Bakeries reached an agreement with Natural Balance **Food's** Founders Jamie & Greg Combs to purchase the majority of their remaining stake, in a deal that gives Lotus Bakeries 97.9% ownership. To ensure the continuity of the brands DNA and to help realize future growth ambitions, Jamie & Greg Combs will remain on board as trusted advisors focussing on innovation and sparring partners and will keep a 2.1% shareholder stake in Natural Balance Foods ("NBF"). The price paid represents a multiple of c1.7x the current year Net Sales.

Natural Balance Foods is the pioneering British wholefood company with a wide range of innovative wholefood bars sold under the Nākd and TREK brands. NBF was founded in 2004 by the two Californian brothers Jamie and Greg Combs. As from the start, Nākd and TREK have become beloved by consumers for its range of innovative and delicious snack products, free from gluten, dairy, wheat, and added sugars. The strong sales were primarily driven by an explosive demand for its all-natural products across the **UK's** major grocery and retail stores, as increasingly health-conscious consumers gravitate towards healthy and tasty snacking solutions.

In 2015, the Founders and Lotus Bakeries entered into a strategic partnership whereby Lotus Bakeries acquired 67.5% of the shares. The Founders held the balance of the shares and also remained actively involved in the day-to-day management and operations of NBF. The combination of the **Founders'** vision on wholefood snacking and Lotus **Bakeries'** international network and know-how have brought NBF to another level over the last 5 years. As from the start, the Founders and Lotus Bakeries management have been working together in a positive way, always maintaining the entrepreneurial spirit, with the vision to create value for all stakeholders. The sales of both NBF brands, Nākd and TREK, have grown significantly in the UK and internationally through focus, innovation and brand support.





7. FF2032, Lotus **Bakeries'** corporate venture fund, invests in Love Brands Inc.

The goal of FF2032, Lotus **Bakeries'** corporate venture fund, is to create a platform for investment in promising brands and growth companies offering innovative products, technologies or market approaches within the food sector. The fund invests in innovative businesses focussed on modern consumer demands in the areas of nutrition and convenience.

FF2032 made its second investment in 2020. The fund took a minority stake in Love Brands Inc., an American company which markets a delicious crunchy corn snack under the '**LOVE Corn**' brand. **LOVE Corn's** snacks are available in four flavours and are vegan, gluten free and non-GMO. The strategy is to focus initially on two markets: the US and the UK. The company achieved sales of around USD 5 million in 2019.



8. Conclusion and outlook

The first half of 2020 will always be associated with the outbreak of the COVID-19 pandemic. The pandemic and the related lockdown measures have had a significant, direct impact on sales trends for products in the out-of-home channel and products consumed on the go.

On the other hand, Lotus Biscoff® has proved itself a consistent and robust growth driver once more. The internationalization of Biscoff® Ice Cream and the launch of the new Biscoff® Sandwich Cookie will further boost Biscoff®'s international reach. And another innovative seed will be planted this autumn, with the launch of a new range of Biscoff® Chocolate in Belgium.

The COVID-19 pandemic is still present globally. In the second half of the year, Lotus Bakeries therefore expects to see similar trends for its various brands and markets. Consumption in out-of-home channels will not pick up until the pandemic is fully under control once more. The modern Natural Foods concepts will also benefit from the normalization of social life and a return to consumption on the go. The products are also on-trend in the quest for a healthy and active lifestyle.





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CEO Jan Boone looks back on a highly eventful and unprecedented first half of 2020:

“Since mid-March, we’ve found ourselves in a new, unprecedented reality. During the second quarter, our priority lay with the safety and support of our employees and customers, and with ensuring the continuity of the business. My respect and appreciation therefore go firstly to all of our people who have demonstrated exceptional flexibility, commitment and resilience.

I’m particularly pleased with the strength of Lotus Biscoff® and the extraordinary growth that we have achieved. I am convinced that the internationalization of Biscoff® Ice Cream, the introduction of the Biscoff® Sandwich Cookie and our latest innovation Biscoff® Chocolate will further boost Biscoff®’s global potential.

The period under review has proven once more that Lotus Bakeries is built on firm foundations and that our strategy, our people and our products guarantee a successful future.”

Lotus Bakeries in a nutshell

Lotus Bakeries began in the village of Lembeke in 1932 and is now active worldwide in the indulgent and natural snacking segment with the Lotus, Lotus Biscoff®, Dinosaurus, Peijnenburg, Annas, Näkd, TREK, BEAR and Kiddylicious brands, among others. Lotus Bakeries, with headquarters in Belgium, is a dynamic, internationally oriented company with production facilities in Belgium, the Netherlands, France, Sweden, South Africa and the US, and twenty-one own sales organisations in Europe, America and Asia. Lotus Bakeries also works with commercial partners in approximately fifty countries worldwide. Lotus Bakeries has more than 2,000 employees. By maintaining a healthy balance between tradition and innovation, the Lotus brand indulges consumers with a unique range of high-quality, tasty products. The secret of Lotus Biscoff® lies in the cookie’s unique flavour, distinctive design and delightful crispiness. The unique caramelised cookie flavour has meanwhile also been incorporated into a spread and ice cream. A wide range of cake specialties and waffles are furthermore offered under the Lotus brand name. Koninklijke Peijnenburg is the market leader for gingerbread in the Netherlands and Annas is a typical Swedish speciality of pepparkakor biscuits: thin, crunchy biscuits flavoured with ginger and cinnamon. Under the Näkd, TREK and BEAR brands, Lotus Bakeries offers tasty snacks, manufactured from all-natural, unprocessed ingredients, with no added sugar. Kiddylicious focusses on healthy snacking for babies, toddlers and pre-schoolers. In 2019 the Group achieved a turnover of EUR 613 million. The shares of Lotus Bakeries are listed on Euronext Brussels. The majority of the shares are owned by the Boone and Stevens family.

For more information please contact:

Jan Boone - CEO
Tel. + 32 9 376 26 14

Mike Cuvelier – CFO
Tel. + 32 9 376 26 14

Further information on Lotus Bakeries can be found on www.lotusbakeries.com

