



Press release

Regulated information
19 August 2019 – 5.45 PM

LOTUS BAKERIES: HALF-YEAR RESULTS 2019

- Lotus Bakeries realizes turnover of EUR 298 million, almost 12% growth.
- Recurrent EBITDA rises to EUR 61 million, amounting to 20% of turnover.
- Strong operating cash flow allows net financial debt to be kept low at 1.3 times REBITDA – despite investments in acquisitions and CAPEX projects.
- The Lotus Biscoff factory in the US has been operational since the beginning of August.
- Lotus Bakeries has set up an incubator fund to invest in promising brands and growth companies. The first investment has already been made.

1. Half-year results 2019

Income statement ⁽¹⁾ (in thousands of EUR)	30/06/2019	30/06/2018	Evolution %	
Turnover	298,134	267,503	+	11.5
Recurrent operating result (REBIT) ⁽²⁾	51,235	47,853	+	7.1
Recurrent operating cash flow (REBITDA) ⁽³⁾	60,918	54,897	+	11.0
Non-recurrent operating result	(2,373)	(1,018)	+	133.1
Operating result (EBIT) ⁽⁴⁾	48,863	46,835	+	4.3
Financial result	(1,573)	(1,466)	+	7.3
Profit for the year before taxes	47,289	45,369	+	4.2
Taxes	(11,047)	(11,132)	-	0.8
Net result	36,242	34,237	+	5.9
Non-controlling interests	348	518	-	32.8
Equity holders of Lotus Bakeries	35,894	33,719	+	6.5
Total number of shares on 30 June ⁽⁵⁾	808,038	804,412	+	0.5
Key figures per share (in EUR)				
Recurrent operating result (REBIT)	63,41	59,49	+	6.6
Recurrent operating cash flow (REBITDA) ⁽³⁾	75,39	68,24	+	10.5
Net result: Group share	44,42	41,92	+	6.0
Balance sheet (in thousands of EUR)				
Balance sheet total	799,400	608,309	+	31.4
Equity	357,055	313,746	+	13.8
Investments ⁽⁶⁾	72,714	20,676	+	251.7
Net financial debts ⁽⁷⁾	152,506	69,237	+	120.3

(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 fixed assets, 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 new IFRS 16 Leases standard. Including this 'lease liability', the net financial debts amount to kEUR 161,947.

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. Management explanation

2.1 Group turnover rises by 11.5%

In the first half of 2019, Lotus Bakeries Group's consolidated turnover increased by EUR 30.6 million to EUR 298.1 million, representing 11.5% growth. Growth during the first half of the year was positively impacted by the sum of EUR 10.6 million since Kiddylicious was not yet consolidated last year. In addition, a positive exchange rate effect of EUR 2.2 million was realized in the first half of the year.

Once again, the main organic growth came from **Lotus Biscoff**. The internationalization of Lotus Biscoff, Lotus Biscoff Spread and now also Lotus Biscoff Ice Cream, forms the first pillar of our strategy. In the first half of the year, the new international TV commercial was launched in support of Biscoff. Once more, in this half-year, the strongest growth was in the large consumer markets of the United States (US), the United Kingdom (UK) and France. Solid growth was also recorded in the Middle East, China, Korea, Spain, the Czech Republic and Switzerland.

Biscoff Ice Cream was already successfully launched several years ago on the Belgian market and more recently on the Dutch market as well. As of this year, Biscoff Ice Cream has been internationalized further and supported as a third global category under Lotus Biscoff. A new international range has also been developed. Plans are in place to launch it in various countries in the coming years.



The second strategic pillar **Natural Foods**, natural snacking, experienced strong growth once more. For the first time, in 2019, Nākd's growth was supported by a TV commercial – in the UK, Belgium and the Netherlands. BEAR is also experiencing strong growth in its penetration and turnover internationally, particularly in the US with increasing distribution in the traditional retail channel. Kiddylicious continues to grow in the UK, mainly through expansion of distribution. In addition, the range and packaging is being adapted so that Kiddylicious can be rolled out internationally in the second half of the year. TREK is continuing on its growth path, supported by the successful introduction of the new protein nut bar.

The third pillar of the Lotus Bakeries strategy is the focus on **local specialities** in the home markets of Belgium, the Netherlands and France.

In Belgium, as a brand, Lotus has managed to achieve a particularly high market share and level of penetration among families in recent years. This achievement is due to a strong and continuous focus on our 'hero' products in the waffle and cake range. We continue to focus on product innovations with the recent introductions of the chocolate-filled Madeleine and the Suzy milk chocolate Liège waffle. Dinosaurus also grew well in the first half of the year.





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The gingerbread category in the Netherlands remained under pressure in the first half of the year. As category captain, Lotus Bakeries aims to reverse the negative trend and bring about growth in the category once more. The management of Koninklijke Peijnenburg is working on an integrated plan for which various initiatives will become evident in the second half of the year.

In addition to the increase in turnover for Biscoff, there was also solid growth for waffles in France once again. France is an extremely important and strategic consumer market for Lotus Bakeries. For this reason, the Group has decided to make further significant investments in TV advertising and the expansion of sales teams in the various regions.

2.2 Recurrent operating cash flow rises by 11%

The recurrent operating result REBIT (EUR 51.2 million or 17.2% compared to turnover) and recurrent operating cash flow REBITDA (EUR 60.9 million or 20.4% compared to turnover) increased once more by EUR 3.4 million and EUR 6.0 million respectively year on year. The recurrent operating cash flow includes EUR 1.5 million relating to the new IFRS 16 Leases standard effective from 2019. The impact of the new standard on the operating result is minimal.

The increase in turnover is complemented by a positive sales and operating margin contribution. In addition, the Group continues to invest in media support, strengthening and expansion of sales teams and the support functions which develop as the Group grows and becomes more international. The BEAR factory in South Africa officially became part of the Group in June, but its operating results will not be consolidated until the second half of the year.

The non-recurrent operating result stands at EUR -2.4 million and mainly comprises start-up costs for the Lotus Biscoff manufacturing facility in the US.

The financial result of EUR -1.6 million primarily consists of interest expenses and bank charges. Results on exchange rates on balance sheet positions in foreign currencies were limited in the first half of the year.

The tax expense decreased to EUR 11.0 million or 23.4% of the profit before taxes. The tax expense comprises a one-off positive impact on deferred taxes as a result of the forthcoming rate reduction in the Netherlands.

The net profit increased by 6% to EUR 36.2 million. The recurrent net result, consisting of the reported net result minus non-recurrent costs, rose by nearly 9% to EUR 38.1 million or 12.8% compared to turnover.

2.3 Net financial debt remains low thanks to strong operating cash flow

Over the past 12 months, Lotus Bakeries has invested EUR 164 million in both the acquisitions of Kiddylicious and the BEAR factory in South Africa and major CAPEX projects, with the factory in the US as a strategic milestone.

The net financial debt/REBITDA ratio remains low at around 1.3.

This is because the EUR 164 million of investments were largely offset by a sustained strong operating cash flow, so that net financial debt has risen by just EUR 83 million since 30 June 2018 to EUR 152.5 million. The application of the new IFRS 16 Leases standard results in a 'lease liability' of EUR 9.4 million.





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3. Acquisition and opening of brand new BEAR factory in South Africa

At the beginning of June, Lotus Bakeries announced the acquisition and opening of the new BEAR factory in Wolseley, South Africa. This was just 14 months after an agreement was reached in March 2018 with BEAR's former manufacturer, Grassroots, for the acquisition of the BEAR production activities.



Wolseley is a small town located in the municipality of Witzenberg, in the Western Cape of South Africa. This location is ideal for our new BEAR production facility for several reasons. First of all, because of the availability of skilled workforce, which is crucial for a plant that employs about 300 employees. Secondly, because of the proximity to the fertile Ceres valley, where all of the fruit for the fruit snacks is freshly picked.

In 2015, Lotus Bakeries acquired BEAR, a brand that offers natural snacks made from pure fruit. BEAR only uses gently baked, freshly picked seasonal fruits. The products are free from added sugars, concentrate, preservatives and stabilisers. BEAR Yoyos are the number 1 lunchbox item in the United Kingdom for parents that want to offer their kids a healthy and fun option. We have made the first steps for further internationalisation of the brand in Europe, the US and Australia.

After this successful commercial integration, the next step was the integration of production. Lotus Bakeries has initiated vertical integration so as to establish an increased quality control over the BEAR production activities, to stimulate flexibility of new product development, and because of the direct access to our raw material providers located in the Ceres valley.





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4. Factory in the US goes into operation with the first commercial production of US-made Biscoff biscuit in August

Lotus Bakeries is extremely proud to announce that the new Lotus Biscoff manufacturing facility in the US is operational as of the beginning of August. The first US-made Biscoff will shortly arrive on American shelves.

There are two production lines, which initially started up in two shifts, to expand to three shifts by the end of the year. In the first half of the year, all newly recruited operators were trained, both in the factory in Lembeke and in the US. Experienced Belgian operators were also present for several weeks at the start-up of the lines in the US.

The start-up of the factory is a historic milestone for Lotus Bakeries and a fantastic achievement for the project team, as well as an example of true Lotus Bakeries team spirit between the project team, the team in Lembeke and the team in the US.



5. Lotus Bakeries and Lona establish Lotus Bakeries Italy

In recent decades, the Italian distribution partner Lona has developed the market in Italy for Lotus Bakeries. Italy is one of the main consumer markets in Europe and a country which still has plenty of potential for Lotus Bakeries. Lotus Bakeries and Lona decided to set up a company together, called Lotus Bakeries Italy, which will focus exclusively on the marketing of Lotus Bakeries brands. Lotus Bakeries owns the majority of the shares in this joint venture with an option to acquire all shares eventually.

6. Lotus Bakeries sets up incubator fund FF 2032 and makes first investment

The purpose of the Lotus Bakeries incubator 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 will invest in innovative companies focused on contemporary consumer demands in the areas of nutrition and convenience, and which are located in Europe or the US.





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While they have to grow under their own steam, these companies will receive extra financial and strategic support from Lotus Bakeries. This should always involve a minority interest, which may ultimately lead to full acquisition, but not necessarily. In the coming years, the fund will invest up to EUR 30 million in such minority interests.

This is intended to create win-win situations for both the founders of these companies and Lotus Bakeries. While Lotus Bakeries can provide expertise and a financial, strategic and supportive input, these companies will inspire Lotus Bakeries through their entrepreneurship, their technology, their speed and agility, their passion and their innovations.

What does FF 2032 stand for?

2032 will mark Lotus Bakeries' centenary. 2032 is also relatively far in the future, indicating long-term investment and commitment. FF stands for Fast Forward: we want these young companies to realize their growth plans faster, and at the same time have a positive, accelerating impact on the growth achieved by Lotus Bakeries.

FF 2032 made its first investment in July. FF 2032 acquired 20% of the shares of Peter's Yard. The agreement also foresees the possibility of acquiring all of the shares in phases.

Peter's Yard is a company in the UK which produces healthy sourdough crispbreads. These are tasty crackers made from only natural ingredients. The products are eaten as a snack or as toast and are a healthy alternative to bread. The products can currently be found in stores in the UK in the savoury category. The company achieved a turnover of around GBP 3 million in 2018.





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CEO Jan Boone looks back with satisfaction on Lotus Bakeries' performance and achievements in the first half of 2019, and looks forward too:

"We continue to focus closely on our three strategic pillars and the achievement of solid organic growth in each of these pillars.

In addition, we have achieved two major milestones in the form of two new factories on two new continents. The different teams have worked extremely hard to achieve this, which therefore brings great satisfaction.

I am also very enthusiastic about the establishment of FF 2032 and the resources we will be able to allocate to this in the coming years. This is a perfect fit for our long-term vision and philosophy. I believe very strongly in this collaborative model and the mutual cross-fertilization which can take place with promising young businesses and equally so business cultures. In view of this, I am very much looking forward to supporting our first investment, Peter's Yard, on its growth path, together with the founders."

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, Nâkd, 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 and South Africa, and twenty own sales organisations in Europe, America and Asia. Lotus Bakeries also works with commercial partners in approximately fifty countries worldwide. Lotus Bakeries has approximately 1,900 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 biscuit's unique flavour, distinctive design and delightful crispiness. The unique caramelised biscuit 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 Nâkd, 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 2018 the Group achieved a turnover of EUR 556 million. The shares of Lotus Bakeries are listed on Euronext Brussels. The majority of the shares are owned by the Boone and Stevens family.

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

