

## A good first-half 2019 for ORIOR

- Revenues increased by 2.2% to CHF 279.6 million
- EBITDA increased by 3.7% to CHF 28.4 million; margin improved by 16 basis points
- EBIT increased by 7.1% to CHF 17.4 million; margin improved by 29 basis points
- Challenging Swiss market; good performance abroad
- The ORIOR Responsibility: ORIOR's first Sustainability Report published
- Good outlook for the second half of 2019

**ORIOR, the internationally active Swiss food & beverage group, is pleased to present a good set of results for the first-half of 2019. Its enlarged operational footprint with new business models and a steady focus on sustainable margins, cost discipline and continuous process optimisation and productivity gains contributed to the good results. Business in the Group's domestic Swiss market was satisfying despite the challenging environment. The International segment held its revenues at the level reported in the prior-year period and was a strong driver of Group profitability – thanks in particular to Culinor Food Group.**

ORIOR Group generated revenues of CHF 279.6 million in the first half of 2019, which corresponds to an increase of 2.2% from the prior-year period. The top line was buoyed by an acquisition effect of 4.8% stemming from the acquisition of Biotta in May 2018 and by organic growth at the Refinement and International segments. Currency translation had a negative effect of 0.8% on reported revenues. Furthermore ORIOR terminated a contract in the Convenience segment with insufficient margins that had generated CHF 8.2 million in annual revenues, which led to a 1.8% y-o-y decline in organic revenues for the first-half period.

The benefits of the Group's broader strategic positioning are becoming more apparent and making it more resilient. Despite challenging conditions in the Swiss market, high raw material prices and stiff competition, gross profit increased 2.0% to CHF 124.1 million and the gross profit margin was held at the good year-ago level of 44.4%. EBITDA rose 3.7% to CHF 28.4 million and the corresponding margin rose by 16 basis points to 10.2%. Even compared to adjusted EBITDA for the first half of 2018 (CHF 27.9 million), which excludes the one-time costs related to the Biotta acquisition in May 2018, absolute EBITDA for the first half 2019 was still higher y-o-y and the corresponding margin was held at the year-ago level. Operating profit (EBIT) amounted to CHF 17.4 million, an increase of 7.1% from the prior-year period. This growth reflects the operating performance and the end of amortisation periods of intangibles. Net profit rose 7.4% to CHF 14.0 million and the net profit margin widened 24 basis points to 5.0%. Net profit was impacted by positive non-recurring income tax effects as well as higher interest expense and unfavourable exchange-rate movements.

Operating cash flow for the period amounted to CHF 20.8 million, which does not quite reach the figure reported for the prior-year period of CHF 21.3 million. The cash conversion ratio was a good 73.3%.

### **ORIOR Convenience segment**

The ORIOR Convenience segment with the Fredag, Le Patron, Pastinella and Biotta competence centres was unable to achieve organic growth despite a steady stream of new products and investments in sales and marketing teams. The main reason for this lack of organic growth is ORIOR's decision to terminate a contract with an annual revenue volume of CHF 8.2 million in favour of a healthier level of profitability.

Segment revenues rose by 5.2% to CHF 99.0 million. Reported revenue growth reflects an acquisition effect of 10.3% and a 5.1% decline in organic revenues. Biotta, which joined ORIOR Group in mid-May 2018, performed well thanks to revised branding strategies, a methodical prioritisation process, a clear focus on costs

and investments in marketing and operations. Overall segment performance was diminished by the aforementioned decision to terminate the low-margin contract; approximately half of the total revenues lost from this contract were reflected in the revenues reported for the first-half. That decision, a weak Easter season and high poultry prices led to the decline in organic growth. These negative factors aside, the Convenience segment launched great innovations and continued to grow and strengthen its customer base.

On the sourcing front, high poultry prices and domestic supply constraints are the main challenges. Competition and general market conditions remain demanding, which to some extent is attributable to efforts by retailers and wholesale distributors to streamline their product offerings and scale back their sales promotion activity.

Innovation highlights: Pastinella, the Group's pasta competence centre, was very pleasing. Long-established product lines as well as a new "Signature Suisse" line of pasta products inspired by traditional Swiss recipes featuring regional ingredients contributed to this pleasing development. Fredag launched an innovative range of snacks under the "myEnergy" brand, such as veggie balls with a curry sauce and chicken balls with a sweet & sour dip. Biotta's convinced with innovations like the organic cold brew iced tea within the "Vivitz" brand family. Cold brewed in a gentle process for 12 hours, this refreshing beverage has a wonderfully smooth black tea flavour but without any bitterness.

#### **ORIOR Refinement segment**

The ORIOR Refinement segment with the Rapelli, Albert Spiess and Möfag competence centres performed well during the first half of 2019 and generated revenues of CHF 127.2 million compared to CHF 125.9 million from the prior-year period, which corresponds to an organic growth rate of 1.1%. This revenue growth was driven by the pleasing development of existing and new customers, the good performance of branded products – especially "Rapelli", "Ticinella" and "myEnergy" – and by price markups in response to high raw material prices. The market and the general business environment remained difficult. Stiff competition and the changes retail customers are making to their sales promotion activities and product offerings are likewise important issues for the Refinement segment.

Meat procurement operations remain challenging because of high price volatility and availabilities. Although ORIOR was not and is not directly affected by price markups in the wake of recent outbreaks of swine fever, the prices it is paying for pork meat in its domestic market are very high – this can be traced to Switzerland's new animal husbandry regulations that came into effect in 2018. A slight reduction in pork prices is expected at the earliest in the autumn of 2019. Beef prices remained high, largely because of insufficient availabilities.

Innovation highlights: In early May Rapelli opened its first shop-in-shop in Zurich – a scaled-down version of its Bottega Rapelli – to the delight of all shoppers who appreciate premium deli charcuterie specialities. The charming and authentic bottega atmosphere and freshly prepared specialities offer aficionados a completely new shopping experience. Shortly after opening this mini-bottega, Rapelli was able to install further bottega displays at numerous other points of sale. The "myEnergy" brand added another chapter to its success story. Its brand profile was enlarged with new products created by Albert Spiess as well as in collaboration with other competence centres, namely the veggie balls from Fredag. Albert Spiess also launched a new line of products that embody the magnificent mountains of the Grisons Alps, such as spicy salsiz sausages with chili cultivated by Swiss mountain farmers. Möfag launched a variety of successful new bacon and ham products under its Fürstenländer Specialities brand and expanded into new sales channels.

#### **ORIOR International segment**

The ORIOR International segment consisting of the competence centre Culinor Food Group, the export business from Switzerland to neighbouring countries, and Biotta's subsidiary Gesa, generated first-half revenues of CHF 67.3 million compared to CHF 65.5 million in the prior-year period. Reported revenue growth reflected organic growth of 0.1%, a highly negative currency translation effect of 3.4% and an acquisition-led effect of 6.1% from the takeover of Gesa in May 2018. Thanks to innovation and steady efforts to improve efficiency,

lower costs and optimise organisational structures, the International segment – Culinor Food Group in particular – was a key driver of Group profitability. Attention is drawn to the impressive and highly flexible flow of innovation at Culinor, Albert Spiess' Bündnerfleisch exports to France, which have been on a positive trend thanks in part to the French economy's stabilisation over the past several years, and to the Biotta subsidiary Gesa, which increased its revenues. Gesa was thoroughly restructured during the first half of 2019, both structurally and organisationally, and an initial payback in terms of higher revenues and efficiency was seen during the first half.

The market environment for the International segment is also very competitive and prices have been under pressure. On the sourcing front, positive and negative effects were fairly evenly balanced in the first half of the year.

Innovation highlights: Culinor continued to launch trendy fresh ready-meal products, enlarging its line of ready meal options in collaboration with Pascale Naessens, Belgium's popular proponent of healthy food, introducing entirely new concepts such as fresh fajitas and a new range of fully-prepared meals under the "Le Patron" brand for the Belgian market. Another Culinor success story is its "Pan for One" product, a combination of pre-cooked and fresh ingredients that can be conveniently prepared in a pan and is ready to eat within minutes.

#### **ORIOR 2025 Strategy**

The ORIOR 2020 Strategy launched in the fall of 2015 has produced the desired results. Management has now initiated the strategy formulation process for the ORIOR 2025 Strategy, which will be unveiled at an investor day in the spring of 2020. The core elements of the current ORIOR strategy – "House of innovation", "Brand strengthening and expansion", "Agility and cost efficiency", "The ORIOR Responsibility" and "We are ORIOR" – will also be part of the 2025 Strategy as will the overriding aim of steady value creation to the benefit of all stakeholders.

#### **The ORIOR Responsibility: ORIOR's first Sustainability Report published**

At the end of 2017, ORIOR management decided to publish a sustainability report based on the internationally recognised Global Reporting Initiative GRI. With the release of its interim results for 2019, ORIOR publishes its first sustainability report in accordance with the GRI Standards: a significant and important step forward in the name of sustainability. Many projects are now underway in the designated priority areas of activity and they will help ORIOR to achieve its sustainability goals.

#### **New guidance as of FY 2019**

The Group's larger operational footprint has made it more resilient and with that in mind management intends to significantly broaden the guidance it provides, beginning with the publication of annual results for 2019. A quantitative target range will be given for Group revenues, EBITDA, tax rate and capex. Expected and actual developments regarding certain Group and segment topics of relevance will be described within the scope of qualitative guidance. These fixed topics will be addressed from a forward-looking and a retrospective standpoint as part of our reporting process (see notice regarding Swiss GAAP FER Plus). They will tentatively include the general market and business environment, raw materials, exchange rate developments, the company's key drivers such as product lines, innovation, new product launches, major projects, initiatives and measures, and major challenges.

#### **Swiss GAAP FER Plus from FY 2019**

An additional set of information will be reported beginning with the results for fiscal 2019: FTEs, revenues by country and revenues generated with the four largest customers. As mentioned above, information regarding certain fixed topics at Group and segment level will also be given.

### Key figures for ORIOR Group – first half 2019

in CHF thousand	Jan – Jun 2019	Δ in %	Jan – Jun 2018 <sup>1,2</sup>
<b>Revenues</b>	<b>279'640</b>	+2.2%	<b>273'742</b>
<b>EBITDA</b>	<b>28'419</b>	+3.7%	<b>27'393</b>
<i>EBITDA in % of revenues</i>	<i>10.2%</i>		<i>10.0%</i>
<b>Adj. EBITDA</b>	<b>28'419</b>	+1.8%	<b>27'918</b>
<i>Adj. EBITDA in % of revenues</i>	<i>10.2%</i>		<i>10.2%</i>
<b>EBIT</b>	<b>17'423</b>	+7.1%	<b>16'265</b>
<i>EBIT in % of revenues</i>	<i>6.2%</i>		<i>5.9%</i>
<b>Profit for the period</b>	<b>13'967</b>	+7.4%	<b>13'008</b>
<i>Profit for the period in % of revenues</i>	<i>5.0%</i>		<i>4.8%</i>
<b>Operating cash flow</b>	<b>20'827</b>		<b>21'327</b>
<i>Cash conversion in %</i>	<i>73.3%</i>		<i>77.9%</i>
<b>Net debt / EBITDA ratio</b>	<b>2.45x</b>		<b>2.30x</b>

<sup>1</sup> Restated prior year figures due to change from IFRS to Swiss GAAP FER (see note 2, half-year report 2019).

<sup>2</sup> Restatement (see note 2, half-year report 2019).

### Outlook

We expect for the second half of the year strong innovative new products, continued good brand sales and the purchase of an additional 35% stake in Casualfood. We intend to complete the second stage of the Casualfood acquisition in September 2019, after which Casualfood will be fully consolidated by ORIOR Group within the International segment.

In the Swiss business, we expect the general market environment and the raw materials procurement situation to remain challenging. Our decision to withdraw from a contract in the Convenience segment that accounted for CHF 8.2 million in revenues will continue to have a negative impact on organic revenue growth in the second half. However, that decision along with the launch of many new products, further portfolio optimisation and a steadfast focus on margins, costs and efficiency will lead to a slight improvement in profitability. Moreover, all centres of competence in the Swiss market are expected to show a strong performance in terms of innovation and new product launches.

ORIOR International segment should deliver a positive performance, fuelled by its business with existing and new customers and its full innovation pipeline. Moreover, we will follow through with the second purchase of an interest in Casualfood and integrate the company as an independent competence centre, which will create new opportunities for the entire Group. The market and the general operating environment are likely to remain more or less unchanged.

In summary, we are confident the second half of the year will be a good one. We expect negative organic growth of 1 to 2% due to the aforementioned effect mentioned above. However, we will also be making great strides towards future growth, examples of which are the full consolidation of Casualfood, innovative new veggie products and ready-made meals, novel snack products and the relaunch of the "Albert Spiess" brand. High raw materials prices – especially for meat and poultry – and a most likely negative currency translation effect are expected to pressure profit margins. Nevertheless, thanks to the Group's enlarged portfolio of activities and steady focus on healthy margins, operating profitability should be held at the healthy level achieved in the previous year.

**Invitation to teleconference (in German only, documents in English available)**

Today, 19 August 2019 at 10:00 am (CEST), ORIOR management will host a conference call to discuss the details. We cordially invite you to participate in the conference call.

- Telephone number: +41 58 262 07 11
- Please state your name and organisation
- PIN code: 092955

*Between 2:00 and 3:00 pm (CEST) Management is pleased to answer all your questions in English. Please call: +41 44 308 65 13.*

**Download links**

- [Half-year report 2019](#)
- [Presentation on 2019 interim results](#)
- [Sustainability report](#)
- [Image gallery](#)

**Contact**

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**Investor Calendar**

- 26 February 2020: Publication of full year results and annual report 2019
- 31 March 2020: 10th Annual General Meeting
- 19 August 2020: publication half-year results and half-year report 2020

**ORIOR – Excellence in Food**

*ORIOR is an internationally active Swiss food and beverage group that combines craftsmanship with a pioneering spirit and thrives on entrepreneurship and strong values. The delightful world of ORIOR consists of well-established companies and brands with leadership positions in growing niche markets in Switzerland and abroad.*

*ORIOR's goal is to steadily create value for all stakeholders. Market intimacy, strong partnerships, and a lean, agile group structure and the intradisciplinary ORIOR Champion Model provide the framework from which ORIOR is shaping and driving the market landscape with innovative products, concepts and services. Motivated employees who take pride in their work and who assume responsibility for themselves and for what they do are the key for creating the extraordinary.*

*We are striving for uniqueness and offer best quality in order to surprise our consumers time and again with enjoyable food moments. Our ambition is nothing less than **Excellence in Food**.*

*In the 2018 financial year ORIOR Group achieved sales of CHF 576.7 million with approximately 1630 employees. ORIOR is listed on the SIX Swiss Exchange (ORON, ISIN CH0111677362, LEI 5067 0020 I84Z A17K 9522). Further information is available at [www.orior.ch](http://www.orior.ch).*