

ARYZTA AG

Ad Hoc announcement pursuant to article 53 LR

Strong progress of profitability New refinancing agreed – Hybrid bond buy-back Guidance reiterated

Schlieren/Switzerland, 12 August 2024

Key Highlights

- Revenue decreased (0.5)% from €1,060.2m to €1,055.2m
- Organic Growth (0.7)% with flat volume and negative price/mix
- Active portfolio management reduced volume by c. 2.5%
- EBITDA increased 7% to €149.8m
- EBITDA margin increased 100bps to 14.2%
- Free cash flow reached €53.0m
- ROIC accelerated to 13.1%
- Total Net debt (including hybrids) to EBITDA at 2.9x – early achievement of mid-term target
- EPS increased 17% to 4.1 € cent

- H2 organic growth expected to improve
- Reiterate 2024 guidance
- On track to deliver remaining 2025 EBITDA margin target

- €930m RCF re-financing
- Plans to repurchase larger CHF hybrid bond and further normalize debt structure
- Significant annualized interest arbitrage expected

- CEO designate announced

ARYZTA AG Chairman and interim CEO Urs Jordi commented:

“ARYZTA delivered another strong performance with improved profitability, solid cash generation and debt reduction. We have now achieved five of our six 2025 mid-term targets well ahead of schedule and are on track to deliver the remaining margin improvement target of at least 14.5%. The performance was achieved on flat volume growth impacted by active portfolio management, which favoured profitability over volume.

Our strong cash generation coupled with our new €930m RCF re-financing, allows us to repurchase the larger of the two remaining CHF hybrid bonds in full, delivering further significant improvements in our financial position to support continued growth.

Our innovation pipeline remains strong and supportive of improved growth expectations in H2, despite consumer spending remaining under pressure due to persistent cost of living increases.

We reiterate our 2024 full year guidance for low to mid-single digit organic growth and improved financial performance across all metrics.”

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Outlook

Organic growth is expected to strengthen in H2 on the back of a lower comparable base, a solid innovation and sales pipeline, further recovery in QSR and a seasonally stronger second half of the year. In addition, the adverse effects on volume from active portfolio management seen in H1 will be significantly reduced in the second half. Guidance for the full year remains to deliver a low to mid-single digit organic growth. The Group is on track to achieve the last remaining 2025 mid-term target of at least 14.5% EBITDA margin. ARYZTA continues to focus on organic growth, business improvement, free cash generation and total net debt reduction.

Profitability accelerates on flat volume

ARYZTA achieved resilient results in the period with strong margin expansion despite a significant negative volume impact from active portfolio management.

EBITDA margin expanded by 100bps reflecting the benefit of margin enhancing innovations, active portfolio management and disciplined cost management. The innovation pipeline remained strong, accounting for 19.4% of revenue, almost double compared to the prior period. Premium products accounted for c. 40% of revenue. In addition, ARYZTA continued to grow its customer base.

The overall H1 organic growth was negative (0.7)%. This was achieved against very strong performance in the comparable period (+22% in H1 2023). The active portfolio management negatively impacted volume by c. 2.5%. In addition, a more challenging consumer environment and continuing costs inflation also affected growth, while QSR recovery is still ongoing.

The pricing effect was negative at (0.4)% reflecting some tactical price reductions despite a continuation of a volatile cost inflationary environment.

Mix remained negative at (0.3)% but continued to improve sequentially, in line with expectations.

EBITDA margin increased to 14.2%

EBITDA increased by 7% to €149.8m, corresponding to an EBITDA margin of 14.2%, up 100bps from the comparable period. This was supported by margin enhancing innovation, contribution from active portfolio management, operational efficiency as well as strict cost discipline. ARYZTA's profit margin is well on track to reach its mid-term target of at least 14.5%.

Continued positive progress was achieved in the Group's cost efficiencies initiatives, resulting in more than €28m worth of cost optimisations since the launch of the mid-term plan, of which c. €10m were generated in the first six months of 2024. As such, the cost optimisations reached the target range ahead of schedule and are supportive of the margin expansion.

The Group further progressed with onboarding businesses onto the new shared service centre in Poland as well as continuing to accelerate the standardisation of the ERP landscape. These efficiency initiatives will allow ARYZTA to capitalize on future growth and further improved business performance.

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Europe

Volume growth in Europe was slightly positive at 0.1%. This was achieved in a competitive market where consumer spending remains pressurised after a long period of inflationary price increases. In addition, active portfolio management favoured value over volume.

Nonetheless, ARYZTA successfully achieved positive organic growth in key European markets, such as France, Switzerland, Denmark, Poland and Fornetti.

Despite this solid performance, the overall organic growth in Europe was negative (1.1)% in the first half of 2024. This is in large part due to pricing and mix. The Foodservice channel performed strongly in most markets. The QSR channel has yet to fully recover volumes through continuing promotional activities.

Innovation supported revenue development strongly in the period, accounting for 18.9% of Europe revenue. ARYZTA continues to invest significantly in building its innovational capabilities. A new state-of-the-art innovation centre in Germany is expected to be fully commissioned in 2024. This facility will support the Group's new product development programmes. It has the capacity to develop and test new products quickly, for customers across the entire portfolio range and channels.

In addition, a new laminated dough line in Switzerland, as well as a new artisanal dough line in Germany are well advanced in construction and will become operational by 2025. This additional capacity is expected to support revenue development, with new innovative products meeting the evolving consumer trends.

EBITDA increased to €127.9m, representing a margin of 13.6%, up by 140bps compared to the previous year. Margin progression was broad-based across the European businesses. It was supported by strong operational performances due to efficiencies and benefits from active portfolio management, which favoured margin over volume.

Rest of World

Rest of World achieved an overall organic growth of 2.8% largely due to pricing effect, while volume and mix remained flat. This was achieved against very strong growth of 15.8% in the comparable period. Rest of World benefited from a sequentially improving performance in the QSR channel after the temporary weakness caused by geopolitical impacts, but has yet to fully recover. In Q2, the QSR channel achieved mid-single digit growth, while volume turned positive. Foodservice continued to perform to expectations despite a strong comparable base, supported by positive innovation and customer portfolio growth.

In Malaysia, a new laminated dough line is expected to become operational in 2024, which will further support revenue development.

Rest of World achieved an EBITDA of €21.9m, corresponding to a margin of 18.7%, 250bps lower than in the comparable period. This mainly reflects the temporary weakness in the QSR channel mentioned above. The recovery in the QSR channel continues assisted by promotional activity and innovation.

Solid Cash performance

ARYZTA cash generation was solid in the period, delivering €53.0m free cash flow. This was achieved after higher investment in growth and IT-related capital expenditure, and lower but positive contribution from working capital. These effects were partially compensated by higher profitability and lower financing costs.

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Value creation as measured through ROIC further accelerated to 13.1% (+80bps compared to December 2023), which is significantly above ARYZTA's WACC of 8%. This improvement was supported by higher profitability and disciplined management of the invested capital base.

EPS increased by 17% to 4.1 € cent, driven by strong operational performance and disciplined management of financing costs.

Total Net debt leverage falls below 3x EBITDA

The continued improvement in business performance and solid cash generation resulted in a further reduction in total net debt leverage to 2.9x EBITDA, delivering ahead of schedule the mid-term leverage ratio target of less than 3 times. The key contributors were improved profitability and €74.0m lower total net debt (including hybrids) since December 2023, supported by the healthy free cash flow generation.

New €930m revolving credit facility

ARYZTA announces that it has agreed a new €930m revolving credit facility substantially on the same terms as the existing facility while extending maturity to 2029 and generating additional headroom. It also improves ARYZTA's capital structure facilitating the redemption in full of its larger outstanding CHF-denominated hybrid bond at its next call date. This refinancing will enable ARYZTA to deliver significant interest cost arbitrage going forward.

New CEO appointment

On 15 July, ARYZTA announced the appointment of its new CEO designate Michael Schai, who will take up the role as of 1 January 2025. This delivers on the commitment to separate the dual role of Group Interim CEO and Chairman of ARYZTA by the end of 2024. Urs Jordi will continue in the role as Chairman and Board member.

New mid-term plan

With five of the six current mid-term targets achieved and on track to reach the outstanding target, ARYZTA expects to update the market with a new three year plan and targets in H1 next year.

LTIP year-end change impact

Management LTIPs awarded in Financial Year 2022 (FY 2022) will vest in August 2024. It is anticipated that vesting of LTIP will give rise to tax liabilities in certain jurisdictions leading to the potential disposal of vested shares to settle the tax liabilities arising.

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	June 2024 €m	June 2023 €m	% Change
Revenue	1,055.2	1,060.2	(0.5)%
Organic growth ¹	(0.7)%	22.0%	
EBITDA ¹	149.8	140.0	7.0%
EBITDA margin	14.2%	13.2%	100 bps
Profit for the period	58.1	58.0	
Free cash flow ¹	53.0	72.1	(26.5)%

	June 2024 €m	December 2023 €m	% Change
ROIC ¹	13.1%	12.3%	80 bps
Net debt ¹	432.2	490.8	
Hybrid instrument funding ¹	494.6	510.0	
Total net debt and hybrid ¹	926.8	1,000.8	

¹ Certain financial alternative performance measures, that are not defined by IFRS, are used by management to assess the financial and operational performance of ARYZTA. See Alternative Performance Measures on pages 28 - 30 of the Interim Report June 2024 for reconciliations.

Revenue

6-month period ended June 2024

	ARYZTA Europe €m	ARYZTA Rest of World €m	Total Group €m
Revenue	937.9	117.3	1,055.2
Organic growth	(1.1)%	2.8%	(0.7)%
Currency movement	0.8%	(4.5)%	0.2%
Total revenue movement	(0.3)%	(1.7)%	(0.5)%

Organic growth

6-month period ended June 2024

	Q1 2024	Q2 2024	H1 FY24
Volume %	0.2%	(0.2)%	–
Price %	0.3%	(1.1)%	(0.4)%
Mix %	(0.4)%	(0.2)%	(0.3)%
Organic growth %	0.1%	(1.5)%	(0.7)%

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2024 Interim Report

The **ARYZTA 2024 Interim Report and Accounts** are available for download from the ARYZTA website and at the following link: <https://www.aryzta.com/investor-center/reporting/>

H1 2024 Results Presentation

A printable pdf version of the **presentation slides** is available to download from the ARYZTA website: <https://www.aryzta.com/investor-center/reporting/>

Results conference call today at 08:30 CET

Dial in numbers are: Switzerland: +41 (0) 43 456 9986; USA: +1 786 697 3501;
UK: +44 (0) 33 0551 0200; Ireland: +353 1 436 0959
Please quote **ARYZTA** when prompted by the operator.

A conference call webcast will be available on the ARYZTA website:
<https://stream.swisscom.ch/aryzta/20240812/>

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Forward looking statement

This document contains forward looking statements which reflect the Board of Directors' current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures, the effects of a pandemic or epidemic, war or a natural disaster, and regulatory developments. You are cautioned not to place undue reliance on any forward-looking statements. These forward-looking statements are made as of the date of this document. The Company expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements other than as required by applicable laws.

About ARYZTA

ARYZTA AG ('ARYZTA') is an international bakery company with a leadership position in convenience bakery. ARYZTA is based in Schlieren, Switzerland, with operations in Europe, Asia, Australia and New Zealand. ARYZTA is listed on the SIX Swiss Exchange (SIX: ARYN).