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Media release

2020 financial half-year results of Valora Group: COVID-19 heavily impacts footfall, but positive EBIT expected for the full-year 2020

- After a good start to the year in January and February, business performance of the Valora Group was significantly impacted by the COVID-19 crisis in the first half of 2020
- Official government orders to contain the coronavirus (COVID-19) led to a sharp drop in footfall and reduced the Valora Group's external sales by -18.0% and net revenue by -18.8% in the first half of 2020
- Significant reduction of budgeted operating expenses of almost -15% or CHF -42 million compared to the previous year
- EBIT of CHF -10.9 million (HY 2019: CHF 42.8 million) and net profit of CHF -15.9 million (HY 2019: CHF 27.4 million) were impacted by the significant crisis-related sales decline
- Positive EBITDA of CHF 21.7 million (HY 2019: CHF 74.5 million) and free cash flow of CHF 11.5 million (HY 2019: 15.7 million)
- Successful renewal of syndicated credit facility contributing to financial flexibility
- The sales and earnings recovery started post lockdown in what is still a very dynamic environment
- Further cost mitigation in progress with a focus on rent adjustments starting in the second half-year 2020
- The attractiveness of out-of-home consumption and outlook for the foodvenience market remain high, continuous investments along strategic priorities
- Based on the current development, positive EBIT expected for the full-year 2020

After a good start to the year with positive sales development and positive results in January and February, the business performance of Valora Group in the first half of 2020 was significantly impacted by the unprecedented worldwide COVID-19 crisis. As a result of official government orders to contain the virus and the following decline in customer frequencies, Valora was forced to reduce opening hours considerably or to close some outlets completely. At the height of the lockdown, in April 2020, about 40% of Valora's points of sale were running with reduced opening hours, and about 20% were closed. In June, these numbers were approximately 45% and 5% respectively.

Overall, Food Service formats were more affected than Retail formats because of the stronger measures imposed by the different governments and their high exposure to the weak out-of-home market, the particularly low customer frequency at public transportation and city centre locations and less consumption. In its B2B pretzel business, Valora was confronted with a temporary decline in orders due to low out-of-home market demand. Post lockdown, customer frequencies and the B2B order situation started to recover in a still very dynamic environment.

Positive pre-crisis months followed by sharp revenue decrease

External sales amounted to CHF 1,085.2 million compared to CHF 1,324.0 million in the same period of 2019, while net revenue came to CHF 815.6 million (HY 2019: CHF 1,004.8 million). This corresponds to a decrease of -18.0% and -18.8% respectively. In the pre-crisis months of January and February overall external sales had shown an increase of +1.3% in local currency. The foodvenience categories – i.e. Group sales excluding press, books and tobacco – had even grown by +2.7% in local currency.

Retail CH experienced a sales drop of -9.8% in the first half of 2020. The unit's broad product portfolio and strong competence in the tobacco and press categories proved to be a source of

strength in the crisis as the average ticket size could be increased. Retail DE/LU/AT posted a decline in net revenue of -25.0% in local currency which was steeper than in external sales at -10.7% in local currency due to the conversion of own stores to franchise outlets. Growing same-store tobacco sales partially compensated for the decrease in other categories. Food Service reported a decrease in net revenue of -32.2% with the low in April (-73.0%). Food Service CH and Food Service DE sales dropped by -39.3% and -37.3% in local currency respectively. Food Service B2B sales decreased by -20.4% in local currency.

Comprehensive measures to reduce cost base and mitigate gross profit decrease

In response to the challenging situation, Valora implemented comprehensive measures at an early stage to reduce its cost base and also made use of the government financial support with over half of its employees on short-time work since April 2020. This enabled the Group to realise a significant reduction of budgeted operating expenses of almost -15% in the first half of 2020; year-on-year cost reduction equalled -10.3% or CHF -42 million despite higher rent conditions at Retail CH after winning the tender for SBB sites. Overall, the rapidly introduced cost reduction measures succeeded to offset almost 50% of the gross profit decrease which was driven by the crisis-related sales decline.

Positive EBITDA and positive free cash flow

As a result, Group EBIT for the first six months of 2020 amounted to CHF -10.9 million (HY 2019: CHF 42.8 million) with the Retail division contributing CHF 1.4 million. The Group net profit came to CHF -15.9 million (HY 2019: CHF 27.4 million). Both EBIT and the Group net profit showed an upward trend after April's low. Valora's EBITDA was CHF 21.7 million (HY 2019: CHF 74.5 million), with a positive contribution in all months apart from April.

In this challenging environment the Group earned a positive free cash flow of CHF 11.5 million (HY 2019: CHF 15.7 million) in the first half of 2020. The decrease in EBITDA was largely compensated by crisis-related extraordinarily strict net working capital management – e.g. deferred rental payments – and the targeted prioritisation and delay of certain investments. Cash and equivalents increased slightly to CHF 127.5 million compared to CHF 122.7 million at year-end 2019. The leverage ratio amounted to 2.9x EBITDA (2.0x at year-end 2019). The equity ratio before lease liabilities as at 30 June 2020 was 45.0% (46.0% at year-end 2019); including lease liabilities, the equity ratio amounted to 25.8% (26.2% at year-end 2019).

Continuous investments with attractiveness of out-of-home consumption and foodvenience market outlook remaining high

“Even during the COVID-19 lockdown, Valora was able to ensure business continuity, to actively contribute to providing basic supplies for the population and to cater to customers' needs”, says Michael Mueller, CEO of Valora Group. “Looking ahead, we are convinced that the attractiveness of out-of-home consumption and the outlook for the foodvenience market remain high.” Valora is a strong foodvenience player in its markets, with a solid financing base to which the syndicated credit facility renegotiated in spring 2020 and increased from CHF 50 million to CHF 150 million makes a substantial contribution.

On this basis, the Group is continuing to invest along its strategic priorities. In the first six months of 2020, the Group's capital expenditure still amounted to CHF 24.1 million despite prioritisation and delay of major investments due to the COVID-19 crisis. This reflects about 70% of the capital expenditure of the previous year period.

The B2B capacity expansion for the pretzel production in Germany and the US was fully completed in the first quarter of 2020. With the new capacities at hand, the business unit is developing its product range further and establishing new routes to market via e-commerce as well as a stronger retail presence in the DACH region.

The conversion of the 262 sales outlets secured in the SBB tender into avec convenience stores and modernised kiosk outlets with more food was on track at the beginning of the year. Having put

conversion work on hold due to the coronavirus outbreak, Valora resumed the project at the beginning of July. The refurbishment is expected to gain full speed again in the fourth quarter of 2020 and to be largely complete by the end of 2021.

In response to changing consumer behaviour Valora is continuing to press ahead with the development of new digital convenience solutions. At the end of February, Valora opened its cashier-free avec box in Wetzikon and it has extended the term for the avec box at the ETH Zurich Höggerberg for the second time until autumn 2020 thanks to great customer support. In the middle of the lockdown, Valora introduced the pilot of its online store www.avecnow.ch with same-day delivery. In addition, Valora has just launched an optimised version of its Caffè Spettacolo loyalty app and a new web solution on <https://pickup.spettacolo.ch> to pre-order coffee.

Further cost mitigation with focus on rent adjustments to reflect new economic reality

Besides pushing ahead with the strategic priorities, Valora strives to variabilise as many costs as possible. It is continuing to prioritise projects, to optimise its outlet network, to make use of short-time work for its staff while temporarily supporting its operating partners, and to further accelerate cost reductions.

A main focus area is rent adjustments to reflect the new economics of the store locations regarding customer frequency beyond the lockdown. Especially high-frequency locations at transportation hubs and airports experienced a particularly high sales decline of -34% from March to June 2020, while higher rents have to be paid in comparison to other locations, such as shopping malls and city centres, which only experienced a sales decline of -13%.

In light of the increasing shift of work to the home office, this development has the potential to continue in the long term. Therefore, Valora is seeking to adjust its rents to customer frequency and sales development with minimum rents being reduced so that the variable sales-related proportion becomes more relevant. Michael Mueller says: "The bases for the rent calculation have changed significantly and rent adjustments are required. This determines the extent to which we are able to guarantee our overall offer in favour of the mobile society. In view of the emerging permanent changes in work and mobility behaviour, we are concerned with a more comprehensive reorganisation of our partnership relations with our landlords. We are therefore in close dialogue."

Sales and earnings recovery started post lockdown in a still very dynamic environment – positive EBIT for the full-year 2020 expected

Dynamics and volatility of the COVID-19 crisis prevail. However, Valora has seen steady sales and EBIT improvement following the COVID-19 lockdown. Starting from the current crisis, gross profit margin is expected to improve in the second semester of 2020 versus the first half-year due to positive business mix effects, to which the leveraging of the new B2B capacity contributes. Based on this and on accelerated cost reductions, a positive EBIT contribution can be anticipated for the full year 2020. A trading update will follow in the end of October 2020 once there is further clarity on how the COVID-19 crisis develops.

Michael Mueller concludes: "We are pushing ahead with our strategic priorities that further drive our foodvenience business, while we are prudently mitigating our cost base. We continue to plan all our measures on a long-term basis, to protect our staff and to invest in our sales network, our partnerships as well as in convenient offerings to our customers. We are convinced that together we will regain our old strength."

Valora Group	HY 2020		HY 2019		Change	
	in CHF million	%		%		in local currency
External sales	1'085.2	133.1%	1'324.0	131.8%	-18.0%	-15.6%
Net revenue	815.6	100.0%	1'004.8	100.0%	-18.8%	-17.0%
Gross profit	355.3	43.6%	451.0	44.9%	-21.2%	-19.4%
- Operating costs, net	-366.2	-44.9%	-408.2	-40.6%	-10.3%	-8.3%
Operating profit (EBIT)	-10.9	-1.3%	42.8	4.3%	n.a.	n.a.
EBITDA	21.7	2.7%	74.5	7.4%	-70.9%	-70.0%
Group net profit	-15.9	-1.9%	27.4	2.7%	n.a.	n.a.

The documents are available online at www.valora.com/newsroom.

- [Media release](#)
- [Presentation on the Half-Year Results 2020](#)
- [Half-Year Report 2020](#)

If you have any questions, please do not hesitate to contact:

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About Valora

Each and every day, around 15,000 employees in the Valora network work to brighten up their customers' journey with a comprehensive foodvenience offering – nearby, quick, convenient and fresh. The more than 2,700 small-scale points of sale of Valora are located at highly frequented locations in Switzerland, Germany, Austria, Luxembourg and the Netherlands. The company includes, among others, k kiosk, Brezelkönig, BackWerk, Ditsch, Press & Books, avec, Caffè Spettacolo and the popular own brand ok.– as well as a continuously growing range of digital services. Valora is also one of the world's leading producers of pretzels and benefits from a well-integrated value chain in the area of baked goods. Valora generates annual external sales of CHF 2.7 billion. The Group's registered office is in Muttenz, Switzerland. The registered shares of Valora Holding AG (VALN) are traded on SIX Swiss Exchange AG.

More information is available at www.valora.com.

Disclaimer

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**Call and Audio-Webcast for Media
Valora Financial Half-Year Results 2020****Date:** Wednesday, 22 July 2020**Time:** 08:45 am (CET)**Language:** German**Speakers:** Michael Mueller, CEO
Beat Fellmann, CFO**Audio-Webcast:** [Open webcast](#)**Phone Conference:** +41 (0) 58 310 50 00**Call and Audio-Webcast for Investors and Analysts
Valora Financial Half-Year Results 2020****Date:** Wednesday, 22 July 2020**Time:** 11:00 am (CET)**Language:** English**Speakers:** Michael Mueller, CEO
Beat Fellmann, CFO**Audio-Webcast:** [Open webcast](#)**Phone Conference**

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The recorded webcast will be available by 04:00 pm (CET) latest on www.valora.com.