

Fodelia Oyj

Translation of company release August 19, 2020 at 8 a.m.

## **FODELIA GROUP HALF-YEAR FINANCIAL REPORT, 1 JANUARY TO 30 JUNE 2020 (unaudited)**

### **NET SALES GREW BY 15 PER CENT IN A CHALLENGING MARKET SITUATION**

*This release is a summary of Fodelia's half-year financial report for 1 January to 30 June 2020. The full half-year financial report is available in Finnish on the company's website at <https://www.fodelia.fi/fodelia-sijoittajille/sijoittajille/>.*

The Group's net sales increased by 15% while the market fell sharply due to COVID-19 restriction measures. The market change had a negative impact on the Group's January–June key figures, but the longer-term outlook remains strong.

Fodelia Group was created through stock exchanges on 9 August 2019. In addition to the Group's 1–6/2020 figures, this report presents pro forma financial data, which describes the development of the Group's business operations. The figures presented in the report are unaudited.

### **JANUARY–JUNE 2020 SUMMARY**

- Net sales for the report period grew by 15.0 percent to EUR 10,560 thousand (pro forma 1–6/2019: EUR 9,184 thousand)
- EBITDA for the report period was EUR 723 thousand and 6.8% of net sales (pro forma 1–6/2019: EUR 1,159 thousand and 12.6%)
- EBIT for the report period was EUR 283 thousand and 2.7% of net sales (pro forma 1–6/2019: EUR 899 thousand and 9.8%)

### **FORECAST FOR 2020**

The company maintains the previously published forecast and expects the Group's net sales to grow by 20–30% in the financial year 2020 compared to pro forma net sales in the period 1–12/2019. EBIT is estimated to be approximately 7–10% of net sales. However, the forecast is uncertain due to the potential prolongation of the corona pandemic and its second wave, as well as the impact on business of the related restrictive measures and changes in consumer behaviour.

### **KEY FIGURES**

Group	Fodelia Oyj 1–6/2020	Pro forma 1–6/2019	Change %	Pro forma 1–12/2019
Net sales	10,560	9,184	14.98	19,661
EBITDA	723	1,159	-37.65	2,383
% of net sales	6.8	12.6		12.1
EBIT	283	899	-68.55	1,811
% of net sales	2.7	9.8		9.2
Profit for the period	185	669	-72.40	464
% of net sales	1.7	7.3		2.4
Earnings per share, €	0.03	-		-
Equity ratio %	46.1	29.2		48.0
Net gearing %	28.7	117.2		8.2
Return on equity %	5.7	47.3		6.8
Return on investment %	5.0	25.4		15.6
Balance sheet total	14,135	9,687	45.92	14,323
Average number of employees	79	62	27.40	63

## **CEO MIKKO TAHKOLA:**

The report period was influenced by the restrictive measures imposed to curb the spread of COVID-19, which have had a strong impact on the foodservice market. Foodservice wholesale net sales decreased by 19% in January–June and by as much as 45% during the worst months of April and May (statistics by the Finnish Grocery Trade Association).

The market change also had a negative impact on Fodelia Group's January–June key figures. Due to the pandemic restriction measures, demand for lunch and school meal services, an important sector for the Fodelia Group, practically came to a halt, and cancelled public events contributed to a decrease in total demand. In view of the demand situation, the 15% increase in net sales in January–June can be considered a good achievement. However, the growth targets for net sales were missed and the exceptional situation decreased the Group's profitability.

In the pre-cooked food sector, sales of certain product groups that are important to the company declined sharply. In addition, the rapid decrease in demand resulted in one-off write-downs on the value of the company's inventory. The company reacted to the market change by investing more strongly in e-commerce sales, which grew substantially during the report period. The robust growth in sales of smaller consumer packages sold through the online store was a positive surprise, but at the same time it temporarily increased the cost level of the company's production and delivery processes and caused additional costs due to investments. In the longer term, the online store is seen as a very good opportunity. In the pre-cooked food sector, active product development is being carried out and Feelia's and Beofood's product portfolios are currently being combined to meet customer needs.

In the Snacks business, the market did not change as much as in foodservice wholesale, but the exceptional situation brought about by the corona pandemic had a negative impact on business in January–June. The cancellation of parties and events, the pandemic-related changes and prioritisations in retail chain logistics and other distribution channels used for the Group's own products, as well as the postponement of export efforts decreased sales of the Group's branded products. However, the company managed to increase total net sales in the snacks business, for example, through new major private label contracts. The stronger-than-normal shift in demand towards private label products decreased the company's profitability level during the report period. Private label customers guarantee the company important production volumes and ensure a favourable development of net sales and cash flow. The company will also continue to invest heavily in its own Oikia and Oatis brands.

Although the corona pandemic has delayed the achievement of the Group's growth targets and has had a negative impact on the profitability of the first half of the year, we see a bright future ahead of the company. The Group has prepared itself for continued strong growth and invested in the adequacy of its personnel and marketing. These investments increased the cost level for the report period in a situation where net sales development missed the targets, but the investments will support the company's growth in the future.

The development of the pandemic situation and possible restriction measures will affect short-term demand, but in the longer term, for example, the savings pressures of municipalities will open up new demand for the management of food services. The Group's answer to this market opportunity is the new joint venture Fodbar Oy, which combines the expertise of Fodelia's subsidiary Feelia Oy and Barona HoReCa Oy, which belongs to the Bravedo Group: Pre-cooked food producer Feelia is responsible for producing nutritionally diverse, vacuum cooked products with consistent quality, and brings in expertise in the food service market and food products. As a national operator, Barona HoReCa is responsible for staffing services and ensures the availability and competence of personnel as well as cost-effective and functional staffing processes.

Fodelia Group invests heavily in increasing production capacity and automation of production operations in order to boost growth and has started investments totalling approximately EUR 6 million in Feelia and Real Snacks factories. An extension will be built at the Feelia Pyhäntä factory, which will allow the production volume to triple in the coming years. At the same time, the company can invest more heavily in special diet products and produce smaller packaging sizes in a cost-effective manner. In addition to raising the automation level of production operations, the circular economy and other environmental aspects play a significant role in the investment project. The Real Snacks factory will launch an investment project related to the automation of packaging operations, which increases the cost-efficiency of the production process.

## BUSINESS DEVELOPMENT DURING THE REPORT PERIOD

The Group's net sales grew by EUR 1,376 thousand and approximately 15% compared to the corresponding period of the previous year. The Group's EBIT decreased from the previous year's level to EUR 283 thousand (1–6/2019: EUR 899 thousand). The Group's key figures for the comparison periods are pro forma financial data. The comparability of the Group's EBIT between 2020 and 2019 is undermined by the fact that the pro forma figures for the comparison period 1–6/2019 do not include the result of Fodelia Oyj, the parent company registered on 2 August 2019.

The figures of Feelia Oy and Beofood Oy are presented in the company-specific data in total, as Beofood's business will be integrated into Feelia's operations during 2020. A merger process is underway between the companies, and the merger is expected to take place during the autumn of 2020. Beofood Oy's figures are included in Fodelia Group's figures as of the date of the company's acquisition on 31 December 2019.

<b>Net sales by unit/business area</b>	<b>1–6/2020</b>	<b>1–6/2019</b>	<b>Change %</b>	<b>1–12/2019</b>
Real Snacks Oy	3,492	3,271	6.76	6,789
Feelia Oy + Beofood Oy	7,369	5,924	24.40	12,882
Fodelia Oyj	103	0	100	48
eliminations	-405	-10	-	-58
<b>Fodelia Group total</b>	<b>10,560</b>	<b>9,185</b>	<b>14.98</b>	<b>19,661</b>

<b>EBIT by unit/business area</b>	<b>1–6/2020</b>	<b>1–6/2019</b>	<b>Change %</b>	<b>1–12/2019</b>
Real Snacks Oy	139	229	-39.16	430
Feelia Oy + Beofood Oy	426	705	-39.64	1,593
Fodelia Oyj	-209	0	-	7
eliminations	-72	-35	77.14	-69
Costs associated with listing and formation of the Group structure	-	-	-	-150
<b>Fodelia Group total</b>	<b>283</b>	<b>899</b>	<b>-68.55</b>	<b>1,811</b>

## THE COMPANY'S STRATEGY AND FINANCIAL TARGETS

Fodelia acts as a holding company for Finnish food industry companies. Fodelia's strategy is to own viable food industry companies and develop them in the long term while increasing shareholder value. Fodelia supports the profitable growth of its companies in Finland and internationally, and also aims to identify new growth opportunities. In the industry, Fodelia stands out with new, innovative and responsibly produced products.

Fodelia has set the following medium-term targets:

- Achieving an average annual net sales increase of approximately 25%
- Achieving an average operating margin of over 10%
- The net sales target set for 2024 is over EUR 60 million

The company strives to distribute at least 35% of its earnings as dividends to shareholders.

The proposed objectives are not projections of the company's future development.

19 August 2020

BOARD OF DIRECTORS

Fodelia Oyj

## **Further information**

Fodelia Oyj, CEO Mikko Tahkola, tel. +358 40 829 0195, e-mail: [mikko.tahkola@fodelia.fi](mailto:mikko.tahkola@fodelia.fi)

Fodelia Oyj, CFO Kati Kokkonen, tel. +358 400 138 396, e-mail: [kati.kokkonen@fodelia.fi](mailto:kati.kokkonen@fodelia.fi)

Approved advisor, Ernst & Young Oy, tel. +358 207 280 190, e-mail: [heikki.saukola@fi.ey.com](mailto:heikki.saukola@fi.ey.com)

## **Fodelia in brief**

Fodelia grows Finnish food companies into flourishing international success stories so that consumers can enjoy locally and responsibly produced clean food with traceable origins. Our portfolio includes ready meal manufacturer Feelia, snack food manufacturer Real Snacks, meat and vegetarian food manufacturer Beofood, and Fodbar, our joint venture with Bravedo Group, which offers a cost-effective solution for outsourcing comprehensive food services. Our companies are food-industry pioneers that invest in innovative products, value-adding customer concepts and advanced manufacturing processes.

[www.fodelia.fi](http://www.fodelia.fi)