



HOCHDORF

Swiss Nutrition Solutions



Full year results 2022

Media and investor call, 9.00 am, 23 March 2023

Agenda

2022 in brief

**Ralph Siegl
CEO and Delegate of the Board**

2022 financials

**Gerhard Mahrle
CFO a.i.**

Strategy execution and outlook

**Ralph Siegl
CEO and Delegate of the Board**

Questions

Via operator or chat

2022 in brief: Strategic transformation

- Phase 1 “**operational recovery**” of mid-term transformation plan is on track
- **Clean-up** of product and customer portfolio delivered better than expected operational improvements in H2
- Value proposition as **specialist for protein- and milk-powder technology** enhanced
- Highly dynamic **innovation** pipeline
- Gaining **trust through transparency**
- Binding financing commitment received from bank syndicate: **2-year extension of financing agreement** buys time



2022 in brief: Financial overview

- **Net sales** of CHF 292.1m, down 3.7% YoY (impact of contract manufacturing)
- **Gross profit** CHF 75.4m, up 6.9%¹ YoY
- **Gross margin** up from 22.9%¹ in 2021 to 25.3% in 2022 (H2: 29.9%)
- **Operating expenses** of CHF 85.5m, reflecting 80.7% increase in energy costs
- **EBITDA** of CHF -10.1m for full year 2022, positive (CHF 0.6m) in H2
- **Net result** of CHF -15.8m, reflecting tax income of CHF 8.5m and legacy issues

¹) Adjusted for gains from sale of property in the amount of CHF 40.6m



Category results

Net sales Baby Care (CHFm)



- No sales with Pharmalys in H1 due to Q4/21 loading and clarification of new payment terms for 2022
- Strong demand in H2, reflecting improvements in operational cooperation with Pharmalys and positive trends in international focus markets
- Bimbosan defends position as market leader in Swiss special trade

Net sales Food Solutions (CHFm)



- Strong demand from chocolate industry for roller-dried powder
- Partial switch to contract manufacturing with milk provided by the client
- Procurement of strategic raw materials such as milk and whey secured and diversified

Financials

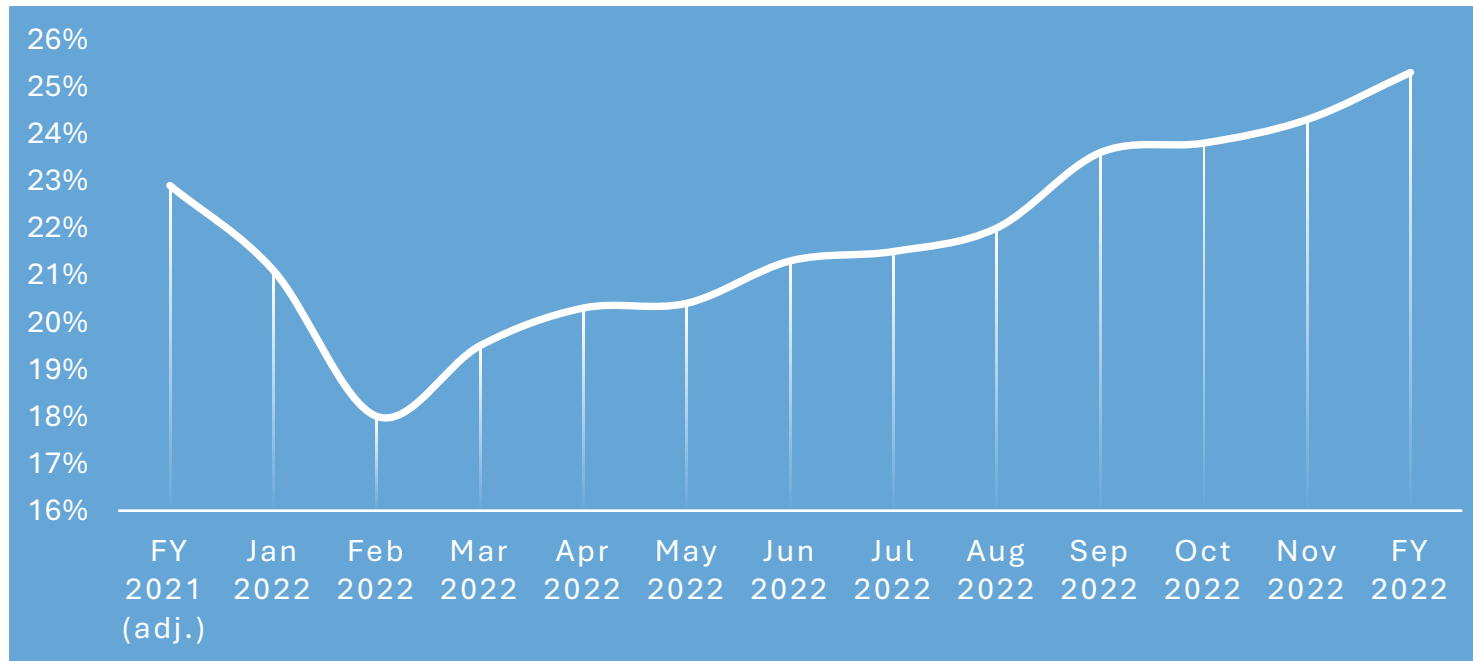
Profit and Loss: significant improvement in 2nd semester

in CHFm	2021	H1/2022	H2/2022	2022	Deviation 2022/2021
Net sales	303.5	145.7	146.4	292.1	-3.7%
Gross profit	70.6 ¹⁾	34.1	41.3	75.4	+6.9% ¹⁾
Gross profit margin (in % of production revenue)	22.9% ¹⁾	21.3%	29.9%	25.3%	+2.4pp ¹⁾
Operational expenses	86.5	44.7	40.8	85.5	-1.2%
EBITDA	24.7	-10.7	0.6	-10.1	n.a.
EBIT	6.5	-15.9	-4.2	-20.1	n.a.
Financial expenses net	5.8	2.0	2.2	4.2	-27.6%
Income taxes (cost)	1.9	-0.3	8.8	8.5	n.a.
Net profit	2.6	-18.3	2.5	-15.8	n.a.

¹⁾ Adjusted for gains from sale of property in the amount of CHF 40.6m

- Net sales decline due to contract manufacturing with milk provided by customers
- Increase of gross profit and gross profit margin (see next page)
- OPEX mainly impacted by higher energy cost and rental cost for Hochdorf site
- **Positive EBITDA, but still negative EBIT in H2/2022**
- Lower financial expense due to reduction of bank loan in 2021
- Income tax benefit based on reversal of deferred taxes
- **Net loss of CHF 15.8m**

Continuous gross profit margin improvement (YTD)



Improvement of YTD gross profit margin – main drivers:

- Fading out of unprofitable sales
- Price increases where feasible (compensation for increased milk prices, energy and logistics costs)
- Change of product mix
- Contract manufacturing with milk provided by customers

FY 2021:
22.9% ¹⁾

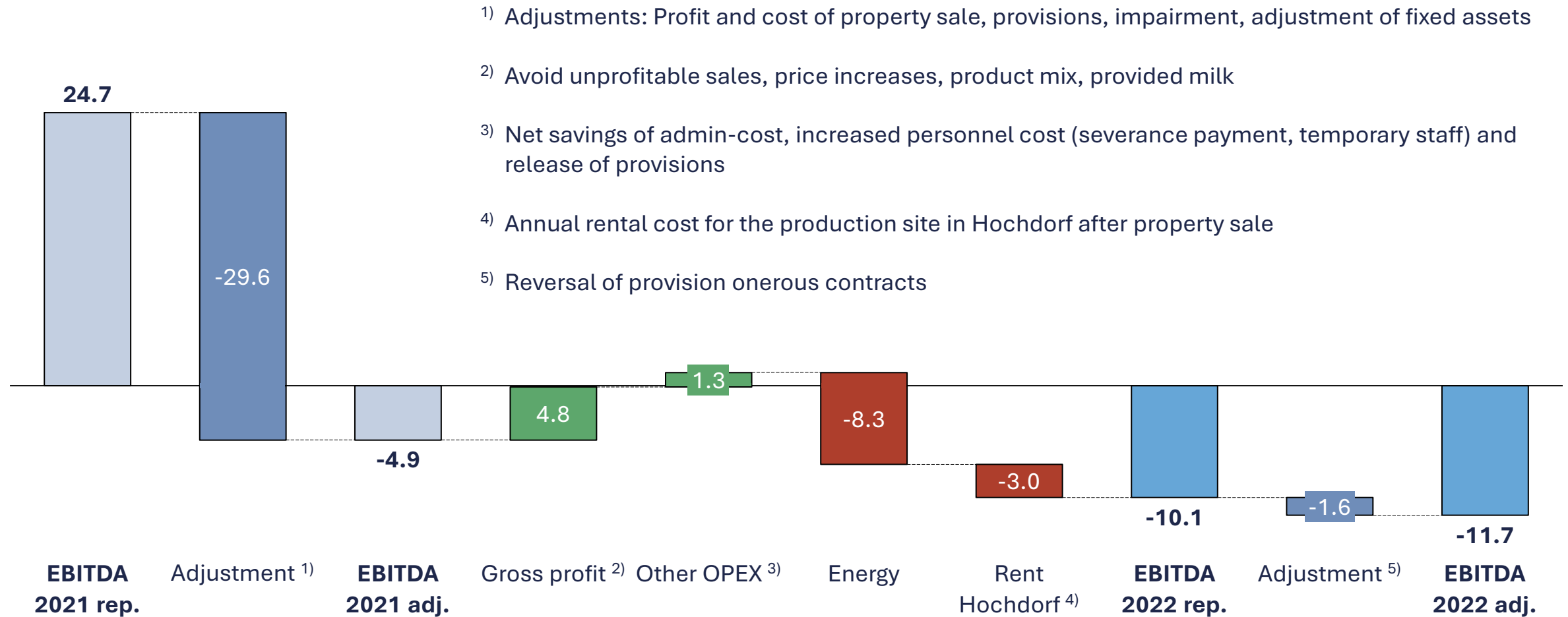
H1 2022:
21.3%

H2 2022:
29.9%

FY 2022:
25.3%

¹⁾ Adjusted for gains from sale of property in the amount of CHF 40.6m

Higher energy costs and Hochdorf rent are key drivers for decline in adjusted EBITDA (in CHFm)



Substantial cost increases only partially compensated

Milk	2021	2022	Deviation	Dev. in %
Quantity in tons	253'672	217'622	-36'050	-14.2%
Cost in CHF per kg	0.68	0.73	0.05	7.4%
Total cost in CHFm	172.5	158.9	-13.6	-7.9%

Lower quantity

CHF -24.5m

Milk provided by customers ¹⁾

Price increase

CHF+10.9m

+7.4%

¹⁾ CHF 9.0m

Energy (electricity, gas, oil)	2021	2022	Deviation	Dev. in %
Quantity in mWh	28'865	26'463	-2'402	-8.3%
Cost in CHF per kWh	0.30	0.64	0.34	113.3%
Total cost in CHFm	8.7	16.9	8.3	95.6%

Lower consumption

CHF -0.7m

Product mix and mild winter

Price increase

CHF +9.0m

+113.3%

Balance sheet (assets)

in CHFm	31.12.2021	%	31.12.2022	%	Deviation in %
Cash & cash equivalents	24.6	8.4%	10.4	3.7%	-57.7%
Accounts receivable	69.1	23.6%	52.2	18.4%	-24.5%
Inventory	31.9	10.9%	35.2	12.4%	10.3%
Current assets	134.9	46.0%	107.5	37.9%	-20.3%
Property plant & equipment	145.0	49.4%	137.7	48.6%	-5.0%
Financial fixed assets	9.9	3.4%	36.0	12.7%	263.6%
Total fixed assets	158.4	54.0%	175.9	62.1%	11.0%
Total assets	293.3	100.0%	283.4	100.0%	-3.4%

- Working capital reduction due to cash reduction and lower accounts receivable (partial reallocation)
- Decline in PPE due to low CAPEX in 2022
- Increase in financial fixed assets due to the reallocation of accounts payable from Pharmalys

Balance sheet (liabilities)

in CHFm	31.12.21	%	31.12.22	%	Deviation in %
Accounts payable	26.0	8.9%	26.8	9.5%	3.1%
Short-term financial liabilities	0.1	0.0%	67.1	23.7%	n.a.
Total short-term liabilities	35.3	12.0%	108.3	38.2%	206.8%
Long-term financial liabilities	57.2	19.5%	0.1	0.0%	-99.8%
Long-term provisions	9.0	3.1%	7.2	2.5%	-20.0%
Deferred tax accruals	8.5	2.9%	0.0	0.0%	-100.0%
Total long-term liabilities	74.7	25.5%	7.3	2.6%	-90.2%
Total equity	183.3	62.5%	167.7	59.2%	-8.5%
Total liabilities	293.3	100.0%	283.4	100.0%	-3.4%
Net debt	32.7	11.1%	56.8	20.0%	73.7%

- Increase of short-term liabilities and decrease of long-term financial liabilities due to the reallocation of bank loans from long to short-term; expiration of existing bank financing facility on Sept. 30, 2023
- **Short and mid-term solvency secured by binding financing commitment from consortium of banks for 2 years**
- Deferred taxes: derecognition due to release of hidden reserves in HSN (restructuring measure)
- **Equity ratio of 59.2%**
- Net debt increase from CHF 32.7m to CHF 56.8m
- **Covenants of the existing financing agreement are not breached as of Dec. 31, 2022; no threat of a breach as of June 30, 2023**

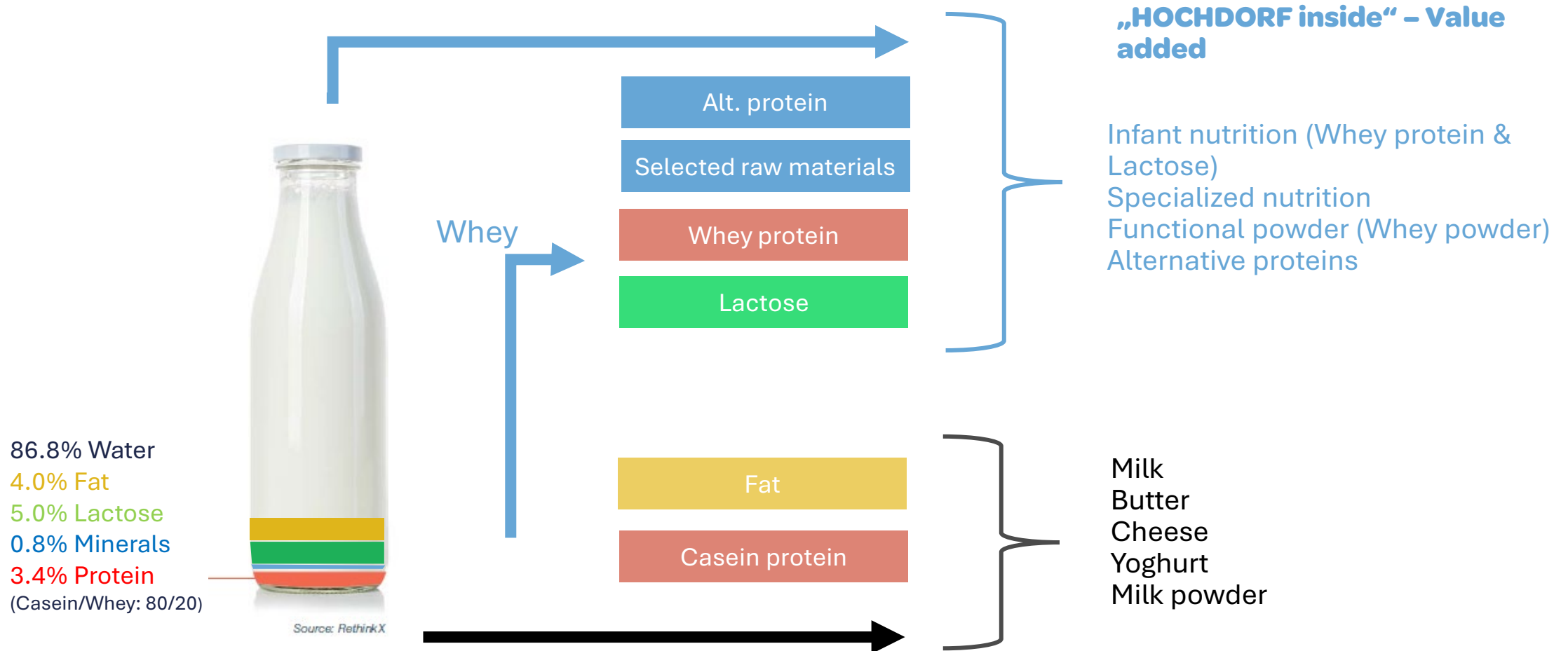
Cash flow (CF) statement

in CHFm	2021	2022	Deviation in %
CF from operating activities before changes in working capital	-4.0	-15.7	-302.6%
Changes in net working capital	-13.9	-3.9	71.9%
CF from operating activities	-17.9	-19.6	-9.5%
CF from investing activities	79.2	-2.0	-102.5%
Free cash flow	61.2	-21.6	-135.3%
CF from financing activities	-49.3	7.5	115.2%
Net change in cash and cash equivalents	11.9	-14.1	-218.5%
Cash and cash equivalents at Jan. 1	12.4	24.3	96.0%
Cash and cash equivalents at Dec. 31	24.3	10.2	-58.0%

- Negative cash flow from operating activities despite higher loss in the reporting year due to higher reduction of net working capital
- Very low CAPEX (mainly maintenance CAPEX) in the reporting year (previous year: sale of property)
- **Resulting negative free cash flow**
- Cash flow from financing activities: in the reporting year increase of bank loan of CHF 10.0m (previous year repayment of bank loan in the amount of CHF 43.0m)
- Net change in cash and cash equivalents of CHF -14.1m

Strategy execution and outlook

Complementary to the traditional dairy value chain



Source: RethinkX

Transformation plan 2023 – 2027

RECOVERY 2022-2023

Operational "recovery"
of the current customer
and product portfolio

CONVERSION 2023-2024

Strategic expansion of
the product portfolio into
high-margin areas
2023-2025

DEVELOPMENT 2025-2027

Expanded sustainable
product portfolio with
high gross margin

2023: EBITDA BREAK EVEN

2024: EBIT BREAK EVEN

Outlook 2023

- Improve **operating model** and processes
- Develop **demand driven** philosophy in line with strategy – new Board members
- Ensure and grow demand with **Pharmalys Laboratories**
- Staff retention and **attractiveness**
- **Hochdorf production closure deferred**
- Sulgen **USFDA** readiness
- New product segment «**Specialized Nutrition**»
- Address **refinancing options**



Disclaimer & contact details

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