



HOCHDORF

Swiss Nutrition Solutions



Half year results 2023

Media and IR presentation

Agenda

Review

Ralph Siegl
CEO and Delegate of the Board

Half year results: financials

Thomas Freiburghaus
CFO

Outlook

Ralph Siegl
CEO and Delegate of the Board

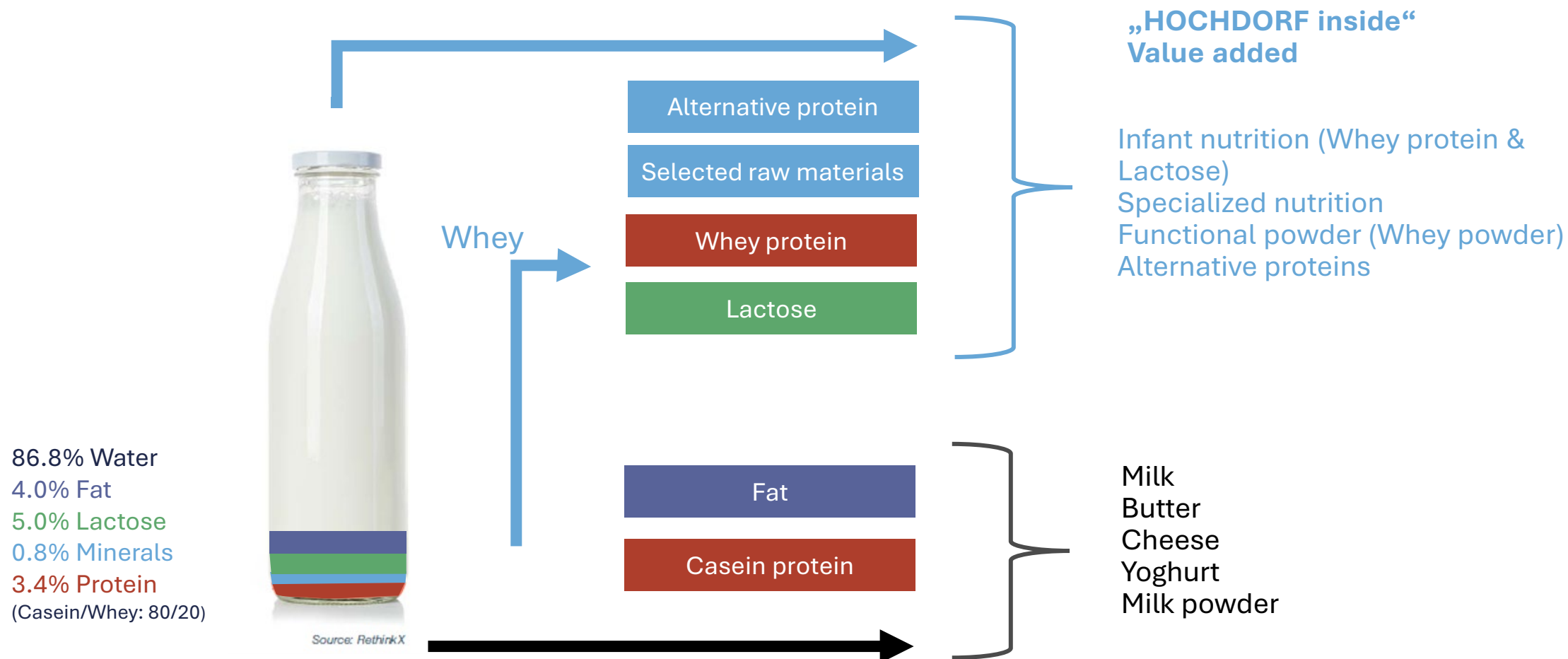
Questions

Video conferencing and/or chat

Technical issues, interview requests, intro
and outro

Marlène Betschart
Head of Corporate Communications and IR

Complementary to the traditional Swiss dairy value chain



Half year 2023

Strategy on track

- Phase 1 “**operational recovery**” of mid-term transformation plan is on track
- **Favorable product mix** and further clean-up of portfolio delivered first positive results in years
- **Strong results** for Infant Nutrition: Strategic focus pays off, contributing to 33% of net sales
- Processed more milk than planned: important role in **Swiss milk market regulation**, but low margins
- **High number of product registrations**
- Cash flow stable, **financial legacy issues** still a burden



Half year results 2023: Financial overview

Best operational result since five years



Net sales:	CHF 154.2m, up 5.8% to prior year
Gross profit:	CHF 52.1m, up 52.9% to prior year
Gross margin:	up from 21.3% in H1 2022 to 30.5% in H1 2023 (H2 2022: 29.9%)
Operating costs:	CHF -45.4m
EBITDA:	CHF +6.7m
EBIT:	CHF +1.6m
Net result:	CHF -0.9m



Category results

Infant nutrition with strong market demand

Net sales Baby Care (CHFm)



Net sales Food Solutions (CHFm)



Financials

Profit and Loss

Further increase in gross margin, positive EBITDA and EBIT

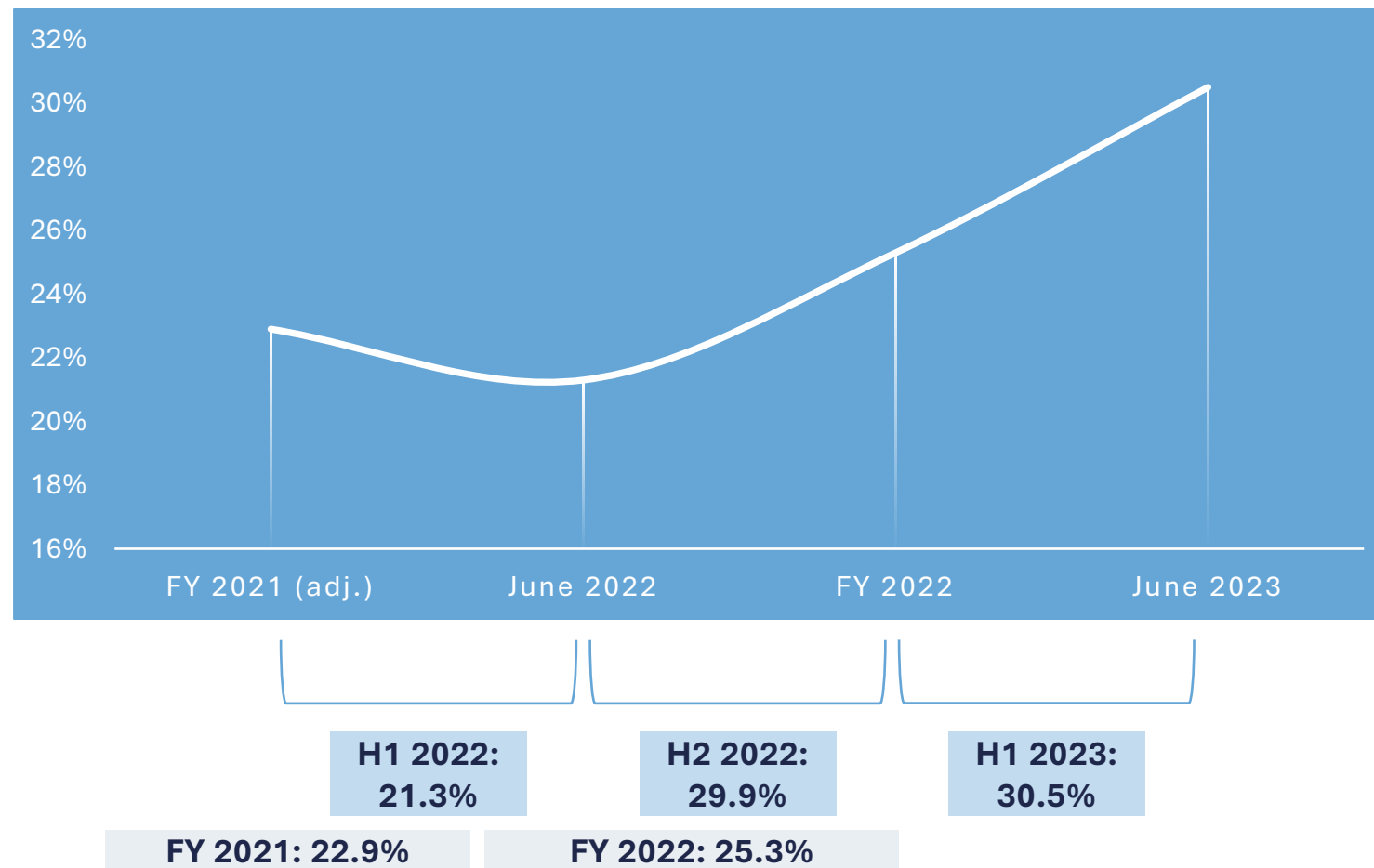


in CHFm	H1/2022	H2/2022	2022	H1/2023	Deviation H1 23/H1 22
Net sales	145.7	146.4	292.1	154.2	+5.8%
Gross profit	34.1	41.3	75.4	52.1	+52.9%
Gross profit margin (in % of production revenue)	21.3%	29.9%	25.3%	30.5%	+9.2pp
Operational expenses	44.7	40.8	85.5	45.4	+1.6%
EBITDA	-10.7	0.6	-10.1	6.7	n.a.
EBIT	-15.9	-4.2	-20.1	1.6	n.a.
Financial expenses net	2.0	2.2	4.2	1.9	-5.1%
Income taxes (cost)	-0.3	8.8	8.5	0.0	n.a.
Net profit	-18.3	2.5	-15.8	-0.9	n.a.

- Net sales increase despite decline in Food Solutions due to growth in Infant Nutrition
- Thanks to a consistent focus on earnings quality and growth in the Infant Nutrition business, the gross margin was further increased to 30.5% in the first half of 2023.
- OPEX remain constant due to cost control
- **Positive EBITDA and EBIT in H1/2023 reflect the positive trend in business**
- **Slight net loss of CHF -0.9m**

Gross margin

Continuous improvement



Main drivers:

- Fading out of unprofitable business
- Price increases where feasible (compensation for higher milk prices, energy and logistics costs)
- Higher profit due to favorable product mix
- Contract manufacturing with milk provided by customers

EBITDA bridge

Growth in infant nutrition & focus on earnings quality



Balance sheet (assets)

Higher inventory to cover planned upgrade work at plant Sulgen



in CHFm	31.12.2022	%	30.06.2023	%	Deviation in %
Cash & cash equivalents	10.4	3.7%	7.8	2.7%	-25.0%
Accounts receivable	52.2	18.4%	38.2	13.3%	-27.8%
Inventory	35.2	12.4%	52.4	18.2%	48.9%
Current assets	107.5	37.9%	110.1	37.9%	-2.4%
Property plant & equipment	137.7	48.6%	134.3	46.6%	-2.5%
Financial fixed assets	36.0	12.7%	42.3	14.7%	17.5%
Total fixed assets	175.9	62.1%	177.8	61.7%	1.1%
Total assets	283.4	100.0%	288.0	100.0%	-3.4%

- Higher Net Working Capital (NWC) due to higher inventory level that will be covering the business demand during planned upgrade works at the factory in Sulgen
- Lower Accounts receivable due to better debtor management and Pharmalys agreement
- Increase in financial fixed assets due to the reallocation of accounts payable from Pharmalys

Cash flow (CF) statement

Negative free cash flow halved

in CHFm	H1 2022	H1 2023	Deviation in %
CF from operating activities before changes in working capital	-9.7	6.0	-302.6%
Changes in net working capital	-2.7	-12.1	71.9%
CF from operating activities	-12.4	-6.0	-9.5%
CF from investing activities	-0.8	-1.2	-50.0%
Free cash flow	-13.2	-7.2	-45.5%
CF from financing activities	8.9	4.8	-46.1%
Net change in cash and cash equivalents	-4.3	-2.4	44.2%
Cash and cash equivalents at Jan. 1	24.3	10.2	-58.0%
Cash and cash equivalents at Dec. 31	20.2	7.8	-61.4%

- Solid CF from operating activities (before changes in working capital), improvement compared to 2022
- Additional stock to cover the upgrade work at the factory in Sulgen
- **Negative free cash flow halved compared to H1 22**
- Modernization investments in Sulgen site to reduce energy costs and introduce new technologies in the drying process; investments in market access (FDA; US market access).
- Net change in cash and cash equivalents of CHF -2.4m improved by CHF 1.9m
- Action plans with main customer in place to coordinate inventory level and to manage net working capital

Strategy execution and outlook

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

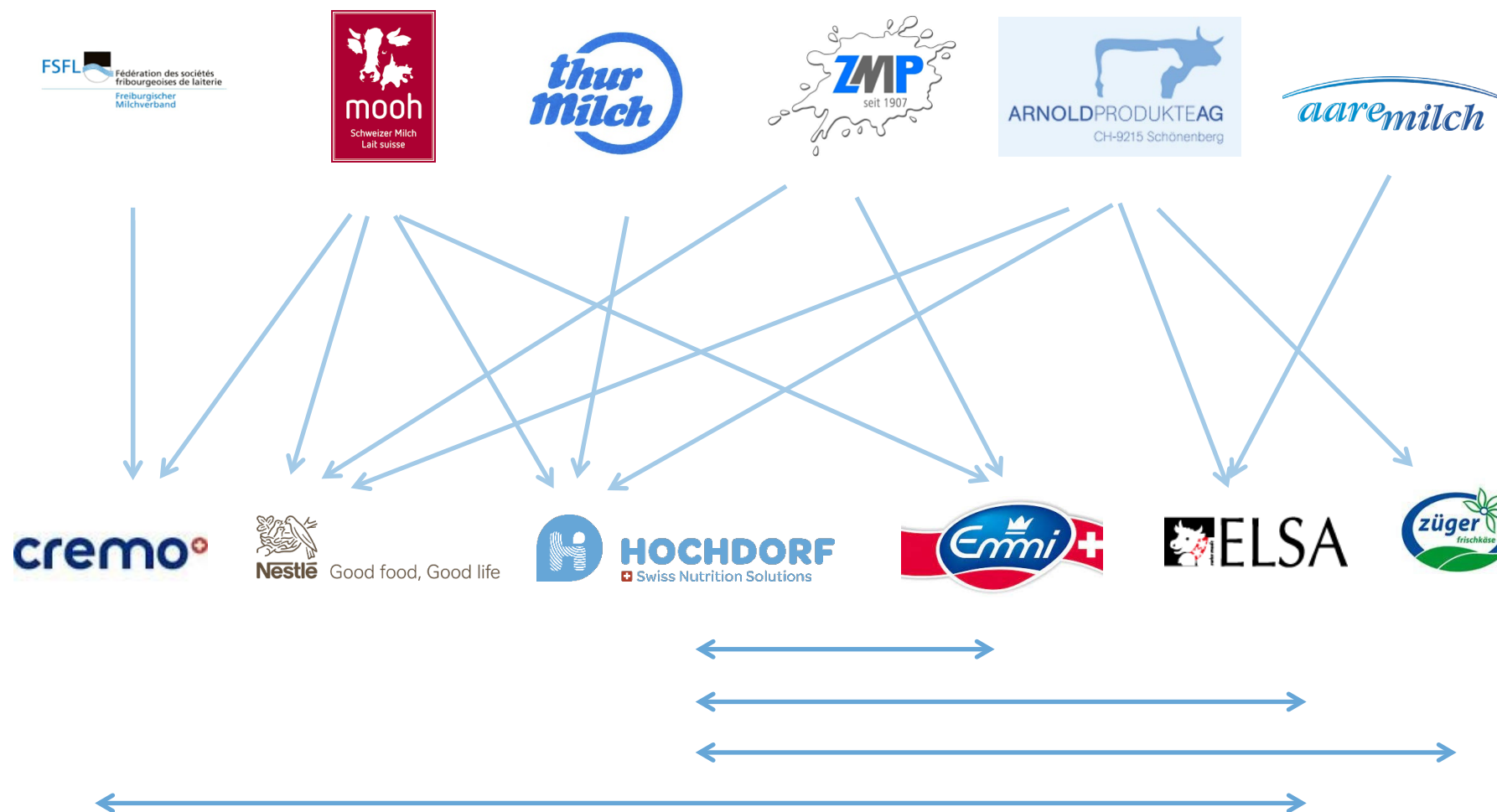
Expanded sustainable
product portfolio with
high gross margin

2023: EBITDA BREAK EVEN

2024: EBIT BREAK EVEN

Important role for the regulation of the Swiss Milk Market

HOCHDORF processes >250 Mio. kg of fresh milk (>1'200 farmers)



Main suppliers

Subcontracting («Lohn»)

Outlook HY 2 2023

As of March 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**

Update:

- Introduction of a new sales and supply chain organization (“order centre”)
- Improved supply chain processes with Pharmalys, further projects for closer collaboration in progress
- Registered hundreds of new articles in existing and new markets to realize market potential
- Staff retention in progress
- Production closure: timing under review
- US FDA readiness: first pre-audit with results, smaller improvements to be made
- Collaborations with major industry partner for plant-based milk alternative powder VIOplus
- Alternative financing options under review



Disclaimer & contact details

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