

Ad hoc announcement pursuant to Art. 53 LR

## HOCHDORF on course operationally: pleasing first half year

*Hochdorf, 24 August 2023* – The HOCHDORF Group is continuing the pleasing development from the second half of 2022, in line with its strategy. As a result of a consistent focus on earnings quality and growth in the Infant Nutrition sector, the gross margin was further increased to 30.5% in the first half of 2023. HOCHDORF achieved a positive operating profit at EBITDA level of CHF 6.7 million and a positive EBIT of CHF 1.6 million as at 30 June 2023. The Group believes it is therefore on track to achieve its target of a positive EBITDA by the end of 2023.

Key figures for the HOCHDORF Group (consolidated)<sup>[1]</sup>

in CHF 1,000	30.6.2023	30.6.2022	Δ H1 23/22
Net sales revenue	154,170	145,715	5.8%
- Food Solutions	103,450	118,301	-12.6%
- Infant Nutrition (previously Baby Care)	50,720	27,414	85.0%
Operating income	170,706	159,876	6.3%
Gross operating profit	52,085	34,069	52.9%
- Gross margin As % of operating income	30.5%	21.3%	+9.2pp
EBITDA	6,662	-10,653	n.a.
EBIT	1,622	-15,926	n.a.
Net result (Group)	-901	-18,256	n.a.
Earnings per share (in CHF)	-0.42	-8.36	n.a.
Equity ratio (in %)	58.0%	55.9%	+2.1pp
Cash flow from operating activities	-6,024	-12,355	51.2%
Number of employees	333	369	-9.7%
Innovation rate	21.5%		n.a.

Ralph Siegl, CEO and Delegate of the Board of Directors of the HOCHDORF Group welcomed the results: “In the first half of 2023, our strategy has produced the impact we anticipated, thanks to a great effort by our employees and the consistent streamlining of our portfolio. This is another step in a major transformation. We are focussing on the sustainable expansion of the Infant Nutrition business and finding a solution to the complex financing and capital structure. We are encouraged by the tangible improvement in confidence in HOCHDORF that we see from our partners, our stakeholders and the industry.”

### Clear impact of product range and portfolio streamlining

Adjustments to the product range and customer contributions initiated in the middle of last year to increase the quality of earnings, which led to contract and price adjustments, continued to have an impact in the first half of 2023. Net sales revenue was CHF 154.2 million in the first half of 2023 (+5.8% compared to the first half of 2022).

The *Food Solutions* division contributed CHF 103.5 million. The *Infant Nutrition* division (formerly *Baby Care*) recorded strong demand in the MENA region markets covered by the major customer Pharmalys Laboratories. Net sales revenue was significantly higher than in the same period last year at CHF 50.7 million. This reflects the strong demand as well as the special situation in the first half of 2022, when practically no sales were made with Pharmalys Laboratories until new payment conditions were clarified. In order to expand the product range and further develop the market potential, HOCHDORF and its partners registered several hundred products in existing and new markets in the first half of 2023 to open up future market volumes.

As expected, the gross margin developed very positively thanks to demand in the Infant Nutrition segment: it increased from 21.3% in the first half of 2022 and 29.9% in the second half of the year to 30.5% for the first half of 2023.

Despite the higher net sales revenue, it was possible to reduce the cost of materials and goods by 5.7% compared to the same period in 2022 (CHF -118.6 million compared to -125.8 million). Personnel costs were also lower than in the first half of 2022 at CHF -19.2 million. Operating expenses decreased relative to the net profit by 1.4% to CHF -45.4 million.

The HOCHDORF Group's target of a positive EBITDA by the end of 2023 was achieved in the first half of the year with consistent price and contract negotiations, cost discipline and a positive product mix. This resulted in an EBITDA of CHF 6.7 million. In the first half year of 2022, the EBITDA was CHF -10.7 million. The EBIT improved from CHF -15.7 million in the first half of 2022 to CHF 1.6 million. The net result for the first half of 2023 was CHF -0.9 million versus CHF -18.3 million in the same period of the previous year.

The cash flow situation is stable and improved significantly compared to the same period of the previous year. Cash flow from operating activities remains negative at CHF -6.0 million in comparison to CHF -12.4 million in the first half of 2022. This is mainly due to higher inventories required to ensure the availability of products during necessary upgrades on production facilities in the second half of the year.

#### **Sustainability: Photovoltaic and flotation plant in Sulgen; "swissmilk green" standard**

A photovoltaic system was installed on a roof area at the Sulgen site with an external supplier, covering around 7000 m<sup>2</sup>. It will supply about 4% of the annual electricity requirement. In terms of sustainability, further progress was made in waste water management and a new flotation plant was put into operation. The move to the "swissmilk green" standard in milk processing, pursued together with our suppliers, and increased communication on the advantages of grassland feeding will represent added value for HOCHDORF customers in meeting their climate targets in the future.

#### **Financing by banks secured in the medium term with further options under evaluation**

The short and medium-term financing of the HOCHDORF Group is secured by the continuation of the current syndicated loan by the existing bank consortium with a term of two years. The strategy focuses on further operational recovery towards a cash-positive business model.

The Board of Directors and Group Management are exploring financing options that provide the company with more flexibility.

### **Innovation rate of 21.5% in the first half year**

HOCHDORF has been reporting an innovation rate since the 2021, measuring the proportion of total sales accounted for by products that are less than three years old. The target for 2023 of 10% was clearly exceeded at 21.5%: more than a fifth of sales in the first half of 2023 were generated with products that are less than three years old. This underlines the company's innovative strength, which is important in view of the changing market requirements.

HOCHDORF's own whey drink brand Yuma was launched by the beginning of 2023 with a different composition and new flavours. Work is also continuing on another product in the Bimbosan range within the specialist nutrition segment. HOCHDORF presented a concept study based on the "ready to adapt" principle for the specialist nutrition sector at the Private Label Exhibition in Amsterdam (PLMA). This considered nutrition for adults with additional functional benefits.

At the same time, HOCHDORF is working on qualifying as a US supplier for infant formula. We have undertaken the required audit and constructional value-added investments required for market access are planned for the coming months.

### **Reorganisation of order processing and streamlining of the Group Management**

Within the framework of various optimisation projects, HOCHDORF has analysed the existing structures and processes in recent months to examine possible simplifications. This focused mainly on incoming orders, order processing and customer service. These areas will now be combined centrally. In the course of these measures, the corresponding teams will be separated from the sales department. As a result, the Board of Directors has decided to change the Group Management structure and remove the function of Chief Revenue Officer. Gerina Eberl-Hancock will leave the HOCHDORF Group. The Board of Directors would like to thank Ms Eberl-Hancock for her great personal commitment and the valuable contribution she has made to the company in the ongoing transformation process.

### **Outlook**

The HOCHDORF Group transformation is on track. The Group is confident that the target of a positive EBITDA for the full year 2023 is achievable.

#### Material to download and further information

- Half Year Report 2023, online version: <https://report.hochdorf.com/2023/hyr/>
- Half Year Report 2023, PDF version: [https://report.hochdorf.com/2023/hyr/downloads/en/Hochdorf\\_Half\\_Year\\_Report\\_2023.pdf](https://report.hochdorf.com/2023/hyr/downloads/en/Hochdorf_Half_Year_Report_2023.pdf)
- Presentation of the Interim Results: 24 August 2023, 10 - 11.30 am  
Dial-in webcast: <https://event.swisscom.ch/v/hochdorf-hyr-2023>
- Media releases by e-mail / Investor News Service: <https://www.hochdorf.com/en/newsletter>
- Overview of ad hoc press releases of the HOCHDORF Group: <https://www.hochdorf.com/en/media/ad-hoc-announcements/>
- Picture material: on request / Keystone: <https://visual.keystone-sda.ch/lightbox/-/lightbox/page/2047447/1>

#### Dates

- 21 March 2024: Full Year Results 2023
- 15 May 2023: Annual General Meeting

#### Contact and photo material

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Founded in 1895, HOCHDORF is the Swiss centre of excellence for milk processing, specialising in powder drying and mixing technology for milk-based and alternative proteins. The technology company based in Hochdorf (LU) and Sulgen (TG) in Switzerland develops functional foods and ingredients for industrial customers and consumers around the world. As “food for life”, these products help shape the changing eating habits of society today and tomorrow. The HOCHDORF Group achieved a consolidated net sales revenue of CHF 292.1 million in 2022 and employs 333 staff. HOCHDORF shares are listed on the SIX Swiss Exchange.

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<sup>1</sup> Non-GAAP measures are shown in the Annual Report in the Notes to the 2022 consolidated financial statements of the HOCHDORF Group, note 32: <https://report.hochdorf.com/2022/ar/en/appendix-of-the-consolidated-financial-report-2022-of-the-hochdorf-group>