

HOCHDORF Group Press Release: Interim Results 2020

Recent measures are taking effect

Hochdorf, 17 August 2020 – **In the first six months of 2020 we have continued to implement the restructuring of the HOCHDORF Group that was introduced in the summer of 2019. In Baby Care, numerous customer and product development projects were launched to stimulate future growth. The initial delivery of Bimbosan infant formula to Vietnam represents a first milestone in brand internationalisation. The company's business relationship with Pharmalys has been stabilised and a company-wide cost efficiency programme set up in the form of "OPTIMA". The success of these measures is already reflected in the EBITDA and EBIT results.**

In the first half of 2020 the HOCHDORF Group processed 187.9 million kg (-15.2%) compared to previous year) of milk, whey, cream and butter milk (liquid quantity) in Switzerland. It also sold 46,357 tonnes of product and achieved a net sales revenue of CHF 158 million (previous year: CHF 243 million). The fall in net revenue is mainly explained by the sale of Uckermärker Milch GmbH from the Dairy Ingredients division as of 28.02.2020. An EBITDA of CHF 5.0 million means that the company has completed the first half year with positive results, fulfilling bank covenant requirements. The positive EBIT of CHF 1.2 million (previous year CHF -52.4 million) is slightly influenced by capital gains from the sale of Uckermärker Milch GmbH. It has not yet been possible to achieve the required amortisations due to low capacity usage of the production lines for producing infant formula.

At CHF -4.1 million, the Group's net profit was slightly negative due to high interest payments (2019 first half year: CHF -63.6 million). The result after minority interests was CHF -3.9 million compared to CHF -43.4 million in the same period last year. Total assets as of 30.06.2020 stood at CHF 418.6 million and the equity ratio was 56.8%. The HOCHDORF Group also generated a free cash flow of CHF 2.9 million, including the purchase price payment detailed above.

Continued focus on restructuring

The management team continued to work on the restructuring programme launched in the middle of 2019. The sale of Uckermärker Milch GmbH was completed at the end of February. The decision was taken to liquidate Zifru Trockenprodukte GmbH, Snapz Foods AG and Snapz Foods USA Inc. due to a lack of potential buyers. The liquidations were completed without affecting results.

Following new appointments to the Board of Directors and senior management team, the company is now focussing on reshaping the future. The strategy for Dairy Ingredients and Baby Care will be further refined and operationalised in the second half of the year.

Baby Care in transition

In the Baby Care division, HOCHDORF achieved net sales revenue of CHF 37.6 million (previous year CHF 30.3 million; +24.2%). The low net sales revenue compared to several previous years is mainly due to the loss of a major customer in 2019 and delays in new customer projects. The coronavirus pandemic also led to setbacks in market registration for China. The company remains hopeful of a positive decision.

The HOCHDORF Group, based in Hochdorf, achieved a consolidated net sales revenue of CHF 158.3 million in the first half of 2020. It is one of the leading foodstuff companies in Switzerland, employing 427 staff as of 30.06.2020. Made from natural ingredients such as milk, whey and wheat germ, HOCHDORF products have been contributing to our health and wellbeing since 1895 – from babies to senior citizens. Its customers include the food industry and the wholesale and retail sectors and its products are sold in over 70 countries. The shares are traded on the SIX Swiss Exchange in Zurich (ISIN CH0024666528).

HOCHDORF Holding AG
Siedereistrasse 9
Postfach 691
CH-6281 Hochdorf
Tel. +41 41 914 65 65
Fax +41 41 914 66 66
hochdorf@hochdorf.com
www.hochdorf.com

To ensure sustained growth, the sales department has been strengthened in key areas and a large number of projects have been launched to develop new markets, customers and products. The division aims to bring at least three new products to market by the end of the first quarter of 2021. The company was able to stabilise the business relationship with Pharmalys again after the sale in December 2019.

Bimbosan AG successfully launched its products on the Swiss market based on the new EU formulations – one reason why it was possible to increase its share in the specialist market. It is also working intensively on the development of new product categories for Bimbosan with market launches anticipated by the end of the first quarter 2021. The first delivery to Vietnam represents an important milestone towards internationalisation of the brand.

Dairy Ingredients division

This division achieved net sales revenue of CHF 120.7 million. This includes CHF 25.4 million in sales from the operating business of Uckermärker Milch GmbH. The fall in liquid quantity processed in Switzerland of –15.2% can be explained by the higher consumer demand for fresh milk products during lockdown, the fact that the cows were returned to Alpine pastures three weeks earlier than usual and the lower milk prices in competition with cheese making as a result of the follow-on solution to the “Schoggi Law”. With the exception of cream, our delivery capacity was never at risk despite the smaller quantities of milk. Plant utilisation was also good in the first half of the year.

Influence of the coronavirus pandemic on the half-yearly results

At the beginning of the coronavirus pandemic, panic buying resulted in an increase in sales and revenue for Bimbosan AG. The effect was, however, rebalanced in the following months. The pandemic also cause slight delays in the company's internationalisation process. There was reduced product demand from the chocolate industry from mid-April in the Dairy Ingredients division mainly due to lower chocolate sales in the areas of Duty Free and tourism. The coronavirus pandemic also meant that Marbacher Ölmühle GmbH endured a significant downturn in sales in the second quarter. However, thanks to various optimisation measures, the company still achieved a higher gross margin compared to the previous year.

OPTIMA leads to increased cost efficiency

The senior management team launched a company-wide “OPTIMA” cost efficiency programme. In the first five sub-projects, work is underway to make cost savings in plants and building, production processes, logistics, administration and purchasing. Savings in the region of CHF 2.0 to 3.0 million are expected from “OPTIMA” for 2021.

Outlook

HOCHDORF is not expecting the coronavirus pandemic to have a significant impact on sales and revenue in the second half of the year in the Baby Care division. However, the company had to deal with coronavirus-related delays to new longer-term customer projects in the first half of the year and these delays may continue to some extent. If travel restrictions persist, a postponement of the market development measures to 2021 cannot be ruled out for the internationalisation of the Bimbosan brand.

By comparison, the impact of coronavirus on the Dairy Ingredients division is likely to be felt more acutely. HOCHDORF expects the Swiss chocolate industry, in particular, to see lower product demand if travel restrictions persist; development in this sector will depend very much on the progress of the pandemic.

HOCHDORF still expects to meet the end-of-year projection made in March with net sales revenue of CHF 280 – 320 million and positive annual results for the EBITDA.

Key figures for the HOCHDORF Group (consolidated and unchecked)

<i>CHF 1000 (unless otherwise stated)</i>	01.01.20 – 30.06.20	01.01.19 – 30.06.19	Change
Processed milk, whey, cream and perme- ate (liquid quantities) in millions of kg	228.2	374.8	-39.1%
Quantities sold in tonnes	46,357	86,661	-46.5%
Net sales revenue	158,289	242,864	-34.8%
Earnings before interest, tax, deprecia- tion and amortisation (EBITDA)	4,985	-39,401	n.a.
<i>as % of production revenue</i>	<i>2.8%</i>	<i>-15.5%</i>	
Earnings before interest and tax (EBIT)	1,158	-52,390	n.a.
<i>as % of production revenue</i>	<i>0.7%</i>	<i>-20.6%</i>	
Net profit	-4,050	-63,631	n.a.
<i>as % of production revenue</i>	<i>-2.3%</i>	<i>-25.0%</i>	
Number of employees as at 30.06.	427	666	-35.9%
	30.06.2020	31.12.2019	
Total assets	418,552	564,289	-25.8%
<i>of which equity capital</i>	<i>237,689</i>	<i>217,307</i>	
<i>as a % of the total assets</i>	<i>56.8</i>	<i>38.5%</i>	
Share details	30.06.2020	30.06.2019	
Share price (in CHF)	61.30	108.00	-43.2%
Market capitalisation	131,902	154,954	-14.9%

The complete letter to the shareholders is available at report.hochdorf.com.

Contact: Dr Christoph Hug, Head of Corporate Communications HOCHDORF Group,
Tel: +41 (0)41 914 65 62 / +41 (0)79 859 19 23, christoph.hug@hochdorf.com.