Sligro Food Group N.V.

PRESS RELEASE

Q3 2020 TRADING UPDATE

Sales fell by 9.5% in the third quarter of 2020 compared with last year. The entire fall was organic. Cumulatively, sales for the first three quarters of 2020 were down by 14.4%. Excluding the additional sales generated in the first half of 2020 from the acquisition of De Kweker (since July 2019), the cumulative organic decline was 16.8%.

Sales

	Q3		Cumulative	
x € million	2020	2019	2020	2019
Netherlands	504	550	1,362	1,572
Belgium	43	55	128	168
Group	547	605	1,490	1,740

Our markets in the Netherlands and Belgium have suffered considerably from government measures to prevent the spread of Covid-19. These significantly affected sales in the second quarter but the third quarter showed a strong recovery, partly as a result of the good summer. The recently announced measures in the Netherlands and Belgium mean that a new setback in sales can be expected in the fourth quarter.

We are nevertheless encouraged by the fact that we have been relatively less badly affected in these circumstances than other players in the market. Our market leadership in the Netherlands, major regional presence, combination of cash-and-carry and delivery service and widely diversified customer portfolio all contribute to our substantial outperformance of market (down 31.9% to 6 September, according to Foodstep) and so we are gaining market share. Our position is different in the Belgian market but there too we are performing better than average thanks to our customer portfolio mix, with a relatively large share in the care and cure market segment. This strengthens our belief that we will be able to recover quickly once the worst effects of Covid-19 have passed and may benefit from a possible further consolidation in the markets in both countries.

We cannot exercise any influence at all over the way our sales markets develop as a result of Covid-19. It is simply a fact of life for us and we are dealing with circumstances as they currently are. Tight cost control, limited but targeted investment and getting things in order to be able to benefit from the recovery in due course is now the motto at Sligro Food Group. In addition, this year we are accelerating the completion of a number of major strategic programmes which will contribute to a faster and better recovery from 2021 and we are monitoring progress on key ongoing programmes.

Sligro Online 4.0. live

The migration from our old digital ordering platform to the new SAP Hybris environment has been completed. This is a major step since virtually all of Sligro Food Group's delivery service sales are ordered online and so we now generate about 70% of the Group's volume online. The new platform was successfully handed over during the third quarter and, as a group, we are now transferring all Sligro, De Kweker and Heineken customers in the Netherlands and customers in Belgium to that new environment. Full functionality in this new online environment will go live and be fully rolled out in the fourth quarter of this year in order to offer not only the 'one truck' but also the 'one order' and 'one invoice' that we promised our customers on our alliance with our partner Heineken. Consequently, the final condition for speaking to our customers about combined service and upselling has been met and we can work hard on this from 2021. Furthermore, this new platform is the basis of our strategy for the next few years of rolling out many new services for our customers.

Site integration completed

In the third quarter we accelerated the closure of the final former Heineken distribution sites and integrated them into our largely updated Sligro Food Group delivery service network. As a result, more than half of our joint customers have a new site in our logistics network, optimised in part on the basis of delivery distance. This was done very successfully. Last weekend we also successfully dismantled De Kweker's delivery infrastructure and transferred the customers to our existing delivery service site in Amsterdam. Once sales pick up again, we will be able to profit from the intended logistics benefits.

Integration of De Kweker completed

The transfer of delivery sales and the replacement of the IT infrastructure at De Kweker's cash-and-carry site completed the integration of De Kweker into Sligro Food Group. The main intended synergy gains can, therefore, be achieved from now on. Part of this is the complete transfer of the head office and back-office organisation to the existing Sligro Food Group organisation.

SAP ERP in full swing

The construction and testing activities of the new ERP landscape, with initial implementation in Belgium in 2021, are moving forward fast. Although restrictions on the physical availability of Dutch and Belgian colleagues caused problems and created some delay, we are making progress. As planned, the online environment is already live and the ERP will be rolled out in 2021.

Optimisation of the organisation well under way

We are busy with a further integration of shared services in the Netherlands and Belgium to reduce costs. In addition to IT, this covers parts of the supply chain and purchasing and the management structure will be simplified to one more suited to the current situation. We recently announced our intention to end the activities of Océan Marée, our fish specialist in Belgium, and to process fish volumes for Belgium at our Dutch subsidiary SmitVis. We had previously decided not to build up our own transport competence in the Netherlands for the time being and to end the activities of VRC Transport. Its employees will join two of our regular transport partners.

In brief we are concentrating on the matters we can influence and that make us structurally stronger. As we have been able, even in these times, to strengthen our relative position in the market, we expect that when our markets recover, we too will recover rapidly and play a leading role in further consolidation in the market; in both the Netherlands and Belgium.

Our financial position is strong and we have adequate buffers, based on the arrangements we made with our bank and financiers earlier in the year, to deal with this second Covid-19 wave. We can also meet our repayment obligations for the fourth quarter. Talks on future financing are, therefore, being undertaken in relative calm.

The picture of developments in sales and thus results is limited but clearly the new measures in the Netherlands and Belgium will have an adverse impact in the short term. We will, therefore, refrain from making any definite forecast for the sales figures and result for the year.

Veghel, 22 October 2020

On behalf of Sligro Food Group N.V.

Koen Slippens, CEO
Rob van der Sluijs, CFO

Tel. +31 413 34 35 00
www.sligrofoodgroup.nl