

ARYZTA AG

News Release

ARYZTA AG - Publication of 2020 Annual Report; Material impact of COVID-19 pandemic on FY20 results; Strong Liquidity position at period end

Schlieren/Switzerland, 06 October 2020

Highlights

- Group organic revenue declined by (11.6)%, reflecting impact of COVID-19 in H2
- The effect of the COVID-19 pandemic had a material impact on underlying EBITDA generation driving negative operating leverage in H2
- Economies re-emerged from lockdown in H2 at varying speeds and concerns remain about a second wave of restrictions in some countries
- Management has taken decisive action to maximise cash and reduce costs
- Gradual sales improvement with monthly revenue evolution tracking (18)% in July versus (23)% in June, (36)% in May and (49)% in April
- Improvements have been seen in the QSR and Retail channel but Foodservice remained subdued due to continued restrictions in key markets
- Strong liquidity position of €424m, consistent with guidance that ARYZTA would finish the year with good overall liquidity
- Before the COVID-19 crisis, five out of six strategic indicators were on track and portfolio refocus into B2B bakery achieved with the disposal of 43.1% of Picard

FY 2020 Financial Summary

- Group organic revenue declined by (11.6)%; total revenue declined by (13.4)% to €2,931m
 - Europe organic revenue decline of (12.7)%
 - North America organic revenue decline of (11.8)%
 - Rest of World organic revenue decline of (3.5)%
- Underlying EBITDA of €260m decreased by (15.4)% and by (33.0)% like-for-like before IFRS 16
- Underlying EBITDA margin decreased by (20) bps to 8.9%, like-for-like declined by (210) bps before IFRS 16
- Underlying net loss of €(18)m versus underlying net profit of €74m in FY19
- Operating free cash generation of €(85)m, with negative cash flow generated from activities of €(134)m due to cash outflow in H2
- Net Debt of €(1,011)m¹ and Net Debt: EBITDA² ratio 3.68x
- IFRS operating loss of €(774)m; compared to IFRS operating profit of €5m in FY19
- IFRS loss for the year of €(1,092)m compared to IFRS loss of €(29)m in FY19; non-cash impairment charges and losses on disposal of €(988)m, mostly coming from the North American region
- IFRS fully diluted loss per share of (114.8) cent versus (8.3) cent in prior period

Commenting on the FY2020 results, ARYZTA AG Chairman Urs Jordi said:

“COVID-19 has had a material impact on ARYZTA's FY20 results. Nevertheless, the company has kept a strong liquidity position through the crisis and at year-end. We will explore all strategic options available, internal and external, acting in the best interests of ARYZTA and its stakeholders, and in this process we will continue to evaluate all unsolicited expressions of interest received. I am fully convinced that ARYZTA has great potential and we will do our utmost to put the company back on the road to success.”



1. Net Debt of €(742)m before the application of IFRS16.

2. Calculated as per Syndicated Bank Facilities Agreement.

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Commenting on the FY 2020 results, ARYZTA AG Chief Executive Officer Kevin Toland said:

“COVID-19 has impacted the lives of people across the world. It has also strongly impacted our FY20 results but, whilst prioritising the health and safety of our colleagues, customers and suppliers, we have been able to navigate the company through these challenging times. Up until 15 March trading patterns were in line with previous guidance. However, when the COVID-19 consequences became visible, we took decisive action to protect the business and our cash resources. This included pausing production in bakeries to reduce capacity in line with demand, furloughing headcount, availing of government relief initiatives, suspending capital expenditure and reducing discretionary cost where possible. As a result we finished the year with a strong overall liquidity position. While we expect the recovery to be bumpy in the coming months, we believe that ARYZTA is well-positioned to recover and compete as economies stabilise and return to growth. I am immensely proud of the tremendous efforts of our people in supporting our customers and suppliers throughout this period.”

Group Revenue

	ARYZTA Europe €m	ARYZTA North America €m	ARYZTA Rest of World €m	ARYZTA Group €m
Revenue	1,418.3	1,261.9	250.7	2,930.9
Organic movement	(12.7)%	(11.8)%	(3.5)%	(11.6)%
Disposals movement	(4.8)%	-	-	(2.4)%
Currency movement	0.3%	2.1%	(4.4)%	0.6%
Total revenue movement	(17.2)%	(9.7)%	(7.9)%	(13.4)%

Underlying EBITDA Evolution

Underlying EBITDA	FY 2020 €m ¹	FY 2019 €m	% Change	% Change before impact of IFRS 16
ARYZTA Europe	158.3	167.7	(5.6)%	(24.3)%
ARYZTA North America	66.7	98.0	(31.9)%	(49.9)%
ARYZTA Rest of World	35.2	41.8	(15.8)%	(28.5)%
Total ARYZTA Group	260.2	307.5	(15.4)%	(33.0)%

Underlying EBITDA margin	FY 2020	FY 2019	Movement (bps)	Movement (bps) before impact of IFRS 16
ARYZTA Europe	11.2%	9.8%	140 bps	(80) bps
ARYZTA North America	5.3%	7.0%	(170) bps	(310) bps
ARYZTA Rest of World	14.0%	15.4%	(140) bps	(350) bps
Total ARYZTA Group	8.9%	9.1%	(20) bps	(210) bps

1. The current financial period includes the impact of the adoption of IFRS 16 - Leases; Comparatives have not been restated in accordance with transitional guidelines. To enable analysis against the prior period, the FY 2020 figures are presented before and after the impact of IFRS 16. Further detail on the adoption of IFRS 16 is presented in note 14 of the 2020 Annual Report.

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Liquidity and Balance Sheet

Reflecting the Group's focus on cash conservation, ARYZTA maintained liquidity of €424m at year-end (c. €60m above the levels as per the 24 March COVID-19 market update). ARYZTA has no material debt maturities for the coming 11 months (€17m due March 2021).

On 4 May, ARYZTA received consent of the majority of its lenders for an amendment of its financial covenants, which provided ARYZTA with increased headroom in FY 2020. The amendment applied to the covenant tests relating to the annual Financial Statements for FY 2020. Under the amended financial covenant, the Net Debt: EBITDA Coverage Ratio was required to be lower or equal to 6.0x and the Net Interest Coverage Ratio was required to be greater than 1.5x. ARYZTA was compliant with this covenant as of the end of FY 2020. An equivalent amendment to the covenant tests relating to the interim Financial Statements as of the end of January 2021 has been superseded by the subsequent covenant amendment on 25 September, as described below.

On 25 September 2020, ARYZTA received consent of the majority of its lenders and on 5 October 2020, ARYZTA and its lenders signed definitive documentation amending the financial covenants in its Facilities Agreement, as described below, in order to provide ARYZTA with increased headroom in the coming year to accommodate the continuing uncertainty around and the impact of the COVID-19 pandemic. The amendment shall apply to the two covenant tests relating to the interim Financial Statements as of January 2021 and to the annual Financial Statements of July 2021. In each case, the Net Debt: EBITDA Coverage Ratio shall be lower or equal to 6.0x and the Net Interest Coverage Ratio shall be greater than 1.0x.

The Group's hybrids (Perpetual Callable Subordinated Instruments) have no contractual maturity date and are treated as equity under IFRS. The Group elected to defer dividend payments for the maturities and not to exercise its call option on any of the instruments in order to guarantee full financial flexibility. No hybrid dividend payments are currently planned. As previously stated, the hybrid instruments are excluded from the calculation of the Net Debt covenant.

Project Renew

Project Renew has delivered cumulative savings of €92m since launch and run-rate savings at the period end were c. €65m. Project Renew was on track to reach the €70m 2020 savings target before the start of the COVID-19 pandemic but experienced delays due to regional lockdowns and the postponement of some projects to preserve liquidity. Automation benefits were severely impacted due to material volume declines linked to COVID-19 but have gathered momentum in line with the gradual improvement in revenue. In order to fully realise the potential of Project Renew our focus is to restart postponed projects as soon as is safe and practical to do so.

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Health & Safety

A key priority of the ARYZTA Board and the Executive Management Committee continues to be the health and wellbeing of our colleagues, customers and suppliers during this challenging period. We are continuously monitoring the situation with our key stakeholders and are actively assessing the consequences of government responses to COVID-19 within the different channels and thus effectively managing our supply chain. We concentrate specifically on the safety of our employees. Our focus remains on having the highest quality and product safety standards across all bakeries in full compliance with reinforced COVID-19 protocols.

Guidance

Due to the high degree of uncertainty related to the ongoing effects of the COVID-19 pandemic, ARYZTA cannot give precise earnings guidance at the current time. It is clear as the pandemic persists, COVID-19 will have a material effect on FY 2021 underlying EBITDA generation. ARYZTA continues to expect a bumpy recovery in the market over the coming months.

2020 Annual Report

The ARYZTA 2020 Annual Report and Accounts are available for download from the ARYZTA website and at the following link:

ARYZTA 2020 Annual Report

FY 2020 Results Presentation

A printable pdf version of the ARYZTA FY 2020 presentation slides will be available to download from the ARYZTA website:

ARYZTA FY 2020 Results Presentation

Results conference call today at 08:30 CET

Dial in numbers are: Switzerland: 031 580 0059; Ireland: 01 431 9615; USA: 1 631 510 7495; UK: 0844 571 8892; International: +44 (0) 2071 928000. Please provide the following code: **6694659** to access the call.

A conference call webcast will be available on the ARYZTA website:
<https://www.aryzta.com/investor-centre/announcements-and-presentations/>

A replay of the call will be available from today at 14:00 CET until 6 December, 2020
Dial in numbers are: International: +44 (0) 333 3009785; Switzerland: 044 580 4026
UK: 08445718951; Ireland: 01 553 8777; USA: 1 (866) 331-1332; UK: 0844 571 8951.

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Glossary

‘Underlying EBITDA’ – presented as earnings before interest, taxation, depreciation and amortisation; before impairment, disposal, restructuring and COVID-19 related costs.

‘Hybrid instrument’ – presented as Perpetual Callable Subordinated Instruments, which have no contractual maturity date and for which the Group controls the timing of settlement; therefore, these instruments are accounted for as equity instruments in accordance with IAS 32 ‘Financial Instruments’.

‘Underlying net (loss)/profit’ – presented as reported net (loss)/profit, adjusted to include the Hybrid instrument dividend as a finance cost; before non-ERP related intangible amortisation; and before impairment, disposal, restructuring and COVID-19 related costs, net of related income tax impacts. The Group utilises the underlying net (loss)/profit measure to enable comparability of the results from period to period, without the impact of transactions that do not relate to the underlying business.

Forward looking statement

This document contains forward looking statements which reflect the Board of Directors’ current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures, the effects of a pandemic or epidemic or a natural disaster, and regulatory developments. You are cautioned not to place undue reliance on any forward-looking statements. These forward-looking statements are made as of the date of this document. The Company expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements other than as required by applicable laws.

About ARYZTA

ARYZTA AG (‘ARYZTA’) is a global food business with a leadership position in speciality bakery. ARYZTA is based in Schlieren, Switzerland, with operations in North America, South America, Europe, Asia, Australia and New Zealand. ARYZTA has a primary listing on the SIX Swiss Exchange and a secondary listing on Euronext Dublin (ISE) (SIX: ARYN, ISE: YZA).

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