

PRESS RELEASE

Loudéac, 05 October 2023



FIRST-HALF 2023 RESULTS

- Revenue up 16% despite pressure on sales prices
- Measures implemented to maintain order intake momentum and operating margins

Outlook

- Margins expected to improve in H2 2023

WINFARM (ISIN: FR0014000P11 - ticker: ALWF), the No. 1 French distance-seller for the farming industry, announced its consolidated results today for the first half of 2023.

On 5 October 2023, the Board of Directors approved the consolidated financial statements for the financial year ended 30 June 2023. These accounts have undergone a limited review by the statutory auditors. The certification reports are currently being drawn up.

<i>Consolidated data, French accounting standards, Unaudited, in €k</i>	H1 2023	H1 2022
Revenue	71,383	61,458
Gross margin	22,788	20,383
<i>As a % of revenue</i>	<i>31.9%</i>	<i>33.2%</i>
EBITDA	1,631	2,520
<i>As a % of revenue</i>	<i>2.3%</i>	<i>4.1%</i>
Depreciation, amortisation and provisions	(2,140)	(1,612)
Operating result	(488)	900
Net financial income	(141)	(64)
Non-recurring profit/loss	28	(171)
Corporate tax	(78)	(159)
Net income (Group share)	(689)	572

WINFARM generated consolidated revenue of €71.4m in H1 2023, up 16.1% compared with H1 2022 and stable on a like-for-like basis. The widespread decline in sales prices concerns both animal nutrition and hygiene products and, to a lesser extent, fencing and wear parts. After increases ranging from 10% to 20% for all these families since 2021, accounting overall for a third of the Company's revenue, prices fell by 15% to 20% in H1 2023.

The **Farming Supplies** business (92% of H1 revenue), whose products are marketed under the Vital Concept brand, posted revenue of €65.6m, up 18.8% (+0.3% like-for-like). The business benefited over the period from the contribution of €10.0m from Kabelis Group companies, the business activity of which has been consolidated in the Group's scope since August 2022. The performances of BTN de Haas, acquired in the Netherlands in July 2021, also contributed significantly to business in the first half, reflecting both the relevance of the acquisitions made by WINFARM in recent years and the Group's ability to successfully integrate the companies acquired.

Revenue from the **Farming Production** business (7% of half-year revenue), marketed under the Alphatech brand, amounted to €4.7m, down 14.4%. After a sharp increase in sales in 2022, stemming in particular from the recovery in sales for export (30% of Farming Production sales), business was hindered in the first half of the year by the unavailability of currencies in euros in certain countries (Pakistan, Bangladesh and Egypt), which limited their ability to place orders. The situation is now returning to normal and order intakes have resumed. The Company will also be able to count on the increase in its production level bolstered by the commissioning of its new production line in April 2023. Currently in the ramp-up phase, this extension to the existing plant will enable the Group to boost its price-volume competitiveness in segments where it already enjoys a strong reputation.

"Other activities", comprising **Farming Advisory** (marketed under the Agritech brand) and **Farming Innovation** (marketed by the Bel-Orient pilot farm), a technological showcase and demonstration of the Group's agricultural expertise, posted a 40% increase in sales.

With prices having trended sharply downwards in the first few months of the year, the Group responded proactively by immediately initiating measures to safeguard its margins. These included:

- Optimising inventories by favouring the selection of products with a high turnover rate;
- Highlighting loss leaders and products making the largest contribution to margins.

Despite the decrease in sales prices, these initial measures resulted in a favourable volume effect, reflecting an increase in the number of orders and the acquisition of new market share.

Solid gross margin; operating expenses weigh on profitability

The Group's gross margin stood at €22.8m at end-June 2023 compared with €20.4m a year earlier, up 11.9% year for year. The gross margin at end-June 2023 was identical to that for the full financial year 2022 (31.9%). This performance illustrates the Group's ability to effectively manage price developments in the current environment. As a reminder, at the end of June 2022, the gross margin was 33.2%. It included the benefit of price adjustments made by the Group in response to a significant increase in purchasing costs.

EBITDA at 30 June 2023 came out at €1.6m compared with €2.5m at 30 June 2022, adversely affected by the increase in external expenses (+€1.2m) and salaries (+€2.1m) following the integration of Kabelis Group companies and the necessary adjustments to rising inflation. The EBITDA ratio represented 2.3% of half-yearly revenue in 2023 compared with 4.1% in the first six months of 2022.

After taking into account depreciation, amortisation and provisions, operating income came out at -€0.5m compared with €0.9m in H1 2022. Net income, Group share, came to -€0.7m, versus €0.6m in H1 2022.

Analysis of the financial structure at 30 June 2023

At 30 June 2023, Group shareholders' equity stood at €22.4m, compared with €23.1m at 31 December 2022.

The trend in the WCR over the quarter resulted from:

- a higher level of inventories at 30 June 2023 than at 31 December 2022, owing to the extension of product ranges in the Netherlands with BTN and necessarily substantial inventories at Kabelis, given the seasonality of sales as well as a change in their valuation method stemming from the implementation of a new ERP for Vital Concept.
- an increase in trade receivables, resulting primarily from the integration of Kabelis Group companies in August 2022.

However, the decline in the WCR was mitigated by the favourable trend in terms of suppliers. Together with a gross cash flow of €1.4 million, this served to generate a positive cash flow from the business.

At 30 June 2023, the Group's cash position stood at €121k, compared with €14.1m at 31 December 2022. This one-off trend can be attributed to the investments made by the Group to enhance infrastructure (extension of the plant, extension of administrative buildings, ERP, new trucks, and construction of the processing plant) and to the repayment of part of its financial debt having come to maturity.

At 31 December 2023, cash flow is expected to return to a normal level of around €10m, close to 2022 levels, benefiting from new financing already obtained from banking partners for €3.6m and ongoing discussions with the banking pool to refinance the aforementioned investments.

Margins expected to improve in 2023

Negatively impacted by exports, the business activity of Alphatech (Farming Production) is expected to gradually improve in the second half of the year. The Company will also be able to count on the increase in its production level bolstered by the commissioning of its new production line in April 2023. Currently in the ramp-up phase, this extension to the existing plant will enable the Group to boost its price-volume competitiveness in segments where it already enjoys a strong reputation. However, the contribution to H2 revenue will remain marginal.

Regarding business activity in the second half, the Company considers that the largest part of the decline in prices has already been recorded. A few product families may be subject to a further decline, but this should be more limited overall.

To maintain order intake momentum, operating margins and its market-leading position, WINFARM will continue to implement its business strategy with four key focuses:

- Offer competitive prices on loss leaders (healthcare, seeds and harvest products);
- Continue to increase the average basket by offering complementary products, particularly own-brand, which have stronger margins;
- Increase order volumes, in particular by encouraging customers who make occasional orders to make more frequent orders;
- Continue to enhance purchasing by selectively favouring the marketing of higher-contribution products.

The launch of the new Vital Concept website focusing on the user experience and offering a more customised response to the Group's farming customers should also serve to attract new customers.

Similarly, the integration of the new ERP will reinforce the Group's key strengths by:

- Enabling the more precise management of sales prices;
- Reducing the volume of product inventories with longer turnaround times;
- Limiting supply disruptions;
- Cutting end-customer delivery times through the full integration of logistics.

In addition, purchasing costs also continued to fall in the second half, bringing the Group greater flexibility on setting prices by limiting margin erosion.

As a result, the gross margin rate and EBITDA in H2 2023 are expected to be higher than in H1 2023.

The financial discipline initiated by the Group in the first half of the year to limit the increase in operating expenses will be pursued in the coming months. For example, the Group will be limiting recruitment numbers by avoiding the replacement of voluntary departures.

BTN de Haas is expected to continue performing strongly in the second half of the year. WINFARM will also be able to rely on the expected economies of scale with the companies of the Kabelis Group, favouring a **gradual improvement in EBITDA starting in H2 2023**.

2025 targets confirmed

In addition to the one-off price adjustment and its mechanical effect on revenue for the period, the Group in the long term is reasserting its 2025 target of annual revenue of around €200 million and an EBITDA margin of around 6.5%. The Group is confident that the strength of its model and the quality of its fundamentals will ensure that it becomes a long-term partner for farmers and breeders by helping them to meet the many challenges of the agricultural world.

Launch of Au Pré!

In addition to its long-standing business, on 18 September Winfarm announced ¹the launch of a new brand, "**Au Pré!**", an innovative concept to enhance dairy production for a network of independent farmers. The new concept was first discussed during the Group's IPO in 2020. The new value-creating solution diversifies the Group's business and is expected to drive fresh growth. The launch of **Au Pré!** in October 2023 is the result of over three years of research, studies and tests, thanks to which the Group is now able to bring a network of member farmers a turnkey economic model for processing and marketing milk.

The aim with the new model is to rally processor-farmers around a concept combining an industrial production unit, a range of dairy products, marketing and delivery support services, and a national brand.

Targeting dairy farms producing 1,300 tonnes to 1,500 tonnes of milk, the specifications of **Au Pré!** are based on four key focuses that prefigure the farming of the future and were developed at the Bel-Orient pilot farm.

- Animal welfare,
- Optimised working time,
- The use of data on farms,
- Product tests for our subsidiaries.

The Company is aiming for 20 member farms in the next ten years.

¹ See the 18 September press release.

Next release:

Q3 2023 revenue, 9 November 2023, end of trading.

About WINFARM

Founded in Loudéac, in the heart of Brittany, at the beginning of the 1990s, the Winfarm group is today the leading French player offering the agricultural, livestock, horse-breeding and landscape markets a range of consultancy, service and distance selling products and global, unique and integrated solutions to help them meet the new technological, economic, environmental and social challenges of the new generation of agriculture.

With a vast catalogue of more than 35,000 product references (seeds, phytosanitary, harvesting products, etc.), two-thirds of which are marketed under own brands, WINFARM has more than 45,000 customers in France, Belgium and the Netherlands.

By 2025, WINFARM aims to achieve revenue of around €200m and an EBITDA margin of about 6.5%.

For more information about the company: www.winfarm-group.com

Contacts:**WINFARM**

investisseurs@winfarm-group.com

ACTIFIN, Financial Communications

Benjamin Lehari
+33 (0) 1 56 88 11 11
winfarm@actifin.fr

ACTIFIN, Financial Press Relations

Jennifer Jullia
+33 (0)1 56 88 11 19
jjullia@actifin.fr