ARYZTA AG

News Release

H1 2021: Solid foundations for performance improvements

Schlieren/Switzerland, 15 March 2021

Key Highlights

- Disposal agreement signed for ARYZTA's North American businesses for USD850m
- Good progress on simplifying the business structures and removing costs
- H1 revenue and underlying EBITDA performance ahead of expectations
- Strong liquidity position maintained; EUR 523m[1]
- Net debt to EBITDA of 4.07x[2]; Ample covenant headroom
- On track to deliver 25% annualised reduction in Group overhead in FY21
- COVID-19 impact varied by region; vaccination roll-out offers significant further recovery
- Not providing guidance given ongoing challenges & uncertainty surrounding COVID-19

	January H1 21 €m	January H1 20 €m	% Change
Continuing Operations			
Group revenue	752.5	952.2	(21.0)%
Underlying EBITDA[3]	76.1	119.1	(36.1)%
Underlying EBITDA margin	10.1%	12.5%	(240) bps
Discontinued Operations			
Revenue	533.4	704.0	(24.2)%
Underlying EBITDA	48.7	50.7	(3.9)%
Underlying EBITDA margin	9.1%	7.2%	190 bps
Total Group			
Revenue	1,285.9	1,656.2	(22.4)%
Underlying EBITDA	124.8	169.8	(26.5)%
Underlying EBITDA margin	9.7%	10.3%	(60) bps
Underlying net (loss)/profit - continuing operations	**(30.8)**	**25.7**	**(219.8)%**
Underlying net profit - discontinued operations	14.4	8.6	67.4%
Underlying net (loss)/profit - total[3]	**(16.4)**	**34.3**	**(147.8)%**
Underlying diluted EPS (cent) - continuing operations[4]	**(3.1)**	**2.6**	**(219.2)%**
Underlying diluted EPS (cent) - total[4]	**(1.7)**	**3.5**	**(148.6)%**

IFRS loss for the period from continuing operations	**(48.8)**	**(334.7)**	**85.4%**
IFRS loss for the period from discontinued operations	(76.6)	(564.5)	86.4%
IFRS loss for the period	**(125.4)**	**(899.2)**	**86.1%**
IFRS diluted loss per share (cent) - continuing operations[5]	**(7.2)**	**(36.0)**	**80.0%**
IFRS diluted loss per share (cent)[5]	**(15.0)**	**(93.0)**	**83.9%**

1 The Group's liquidity consists of cash and cash equivalents of €390m and undrawn revolving credit facility of €133m.

2 Calculated as per Syndicated Bank Facilities Agreement terms.

3 Underlying EBITDA from continuing operations includes central costs previously allocated to discontinued operations. Certain financial alternative performance measures, that are not defined by IFRS, are used by management to assess the financial and operational performance of ARYZTA. See glossary on page 4.

4 The 30 January 2021 weighted average number of ordinary shares used to calculate underlying earnings per share is 991,206,398 (H1 2020: 992,305,695).

5 The 30 January 2021 weighted average number of ordinary shares used to calculate IFRS diluted loss per share is 991,206,398 (H1 2020: 990,600,164).

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ARYZTA AG Chairman and interim CEO Urs Jordi commented:

"Today's results highlight the significant progress achieved as a result of our strategy to simplify the business and to de-risk the balance sheet with the sale of our North American business for USD850m. The progress to date validates the overwhelming shareholder vote for change in September and December 2020 and the renewed board's decision to reject the proposal to sell the entire business. We can now focus on delivering the necessary operational improvements and returning to organic growth as we leverage the significant broad bakery experience to improve shareholder returns. Delivery of our targets will ensure we rebuild trust and credibility with investors, lenders, customers, suppliers and employees as both are in need of repair after years of disregard."

Solid financial performance

The improved H1 performance reflects the benefit of cost reductions through simplification of the business model and reporting structure and a strong recovery in North American operations. QSR (Quick Service Restaurants) and retail channels recovered strongly in North America and recovery continued in Rest of World.

These improvements were offset by COVID-19 related disruptions in Europe especially in Q2 due to the impact of lock downs and restrictions across the region and the resultant negative impact on the Foodservice channel. Net restructuring, impairment and disposal related costs totalling EUR 35m were mainly due to severance costs and excessive advisory fee commitments as well as COVID-19 related costs impacted the period. However, stringent cost management and cost savings with an annualised target to reduce central overhead costs by 25% are well on track and will contribute to a substantial lower overall cost base in the future.

Strategic plan Implementation

ARYZTA continued to deliver on the strategic plan supported by its shareholders at the last annual general meeting in December 2020. Cornerstones of the strategy are a multi-local business model with empowerment over decision making and costs, simplified structures across the entire group as well as removing unnecessary costs. The implementation of this model progressed well in recent months.

The renewed board now consist of strong bakery, finance and turnaround expertise which will greatly assist the company on its way forward. Significant senior management changes have been made to execute the strategy. ARYZTA now has a much more agile and lean organization in place which will positively impact the value creation objectives of the Board.

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Rebuilding of ARYZTA takes shape

The Group set a target of EUR 600m to EUR 800m of proceeds from selected assets disposals to reduce debt and repair the balance sheet. With the sale of the North American businesses to an affiliate of Lindsay Goldberg LLC for USD850m, announced on 12 March 2021, this target has already been achieved in a shorter timeframe than envisaged and marks an important milestone in rebuilding ARYZTA. LATAM remains a focus and ARYZTA will provide an update in a timely manner.

Improved liquidity position

Despite the challenging market environment, ARYZTA generated a positive cash flow from activities of EUR 33.8m, underpinned by a EUR 32.2m working capital inflow, which resulted in further improved cash liquidity position of EUR 523m at the end of the reporting period. In combination with the proceeds from the disposal of the businesses in North America, ARYZTA now has certainty around debt reduction, strengthening its balance sheet and de-risking its financial position into the future. The net debt to EBITDA coverage ratio of 4.07x and interest coverage ratio of 2.16x implies ample covenant headroom in the period.

Outlook

Due to continuing and changing COVID-19 restrictions and its ongoing consequential adverse impacts, the ongoing disposal process and the level of change being implemented across the organization, it would not be prudent to provide forward guidance for the remainder of the current financial year. By the end of FY22 ARYZTA is targeting an EBITDA margin run rate of 12.5% based on the implementation of its multi-local business model, additional costs savings and improved performance. This is an intermediate target and will need to improve further over time.

2021 Interim Report

The ARYZTA 2020 Annual Report and Accounts are available for download from the ARYZTA website and at the following link: ***ARYZTA 2021 Interim Report***

2021 Interim Results Presentation

A printable pdf version of the ARYZTA H1 2021 presentation slides is available to download from the ARYZTA website: ***ARYZTA H1 2021 Results Presentation***

Results conference call today at 08:30 CET

Dial in numbers are: Switzerland: 031 580 0059; USA: 1 631 510 7495;
UK: 0844 571 8892; International: +44 (0) 2071 928000.
Please provide the following code: **6498066** to access the call.

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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

About ARYZTA

ARYZTA AG ('ARYZTA') is a global food business with a leadership position in convenience bakery. ARYZTA is based in Schlieren, Switzerland, with operations in North America, South America, Europe, Asia, Australia and New Zealand. ARYZTA is listed on the SIX Swiss Exchange (SIX: ARYN).

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