RESULTS H1 2020

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INTRODUCTION

1. Introduction

- The increase in demand as a result of the Covid-19 pandemic proved to be a key factor in terms of our business activity in Q2.

- The impact varied across different geographies, depending on the rate at which Covid-19 spread:

  - In southern Europe, the most frenetic compulsive buying took place in March ans subsecuently there was a gradual reduction in stock for both our retailers and our consumers’ own pantries.

  - In northern Europe, the US and Canada, the pandemic either began to spread later or was less virulent, resulting in less volatile, yet more of a prolonged effect on demand.

- Adapting production to heightened demand has been key during this period, and we have prioritised our core products over our more niche offerings.

- We should also highlight that our limited amount of business with the food service (Horeca) sector has safeguarded us against the heavy downturn suffered by the hospitality sector.

BUSINESS UNIT RESULTS
H1 2020

2.1.1 Rice H1 2020

- Our rice sales grew steadily during H1 and could have risen even higher if some of our plants were not already operating at full capacity.

- This surge in demand increased the cost of raw materials, particularly in the US. The new harvest in the US is already underway and is estimated to be 20% greater than the previous one, which should help to alleviate prices.

- In terms of aromatic varieties, Tilda has performed outstandingly, posting growth of over 50% and proving to be a very wise investment for us.

- We are continuing with our Capex programme in Rinconada and Memphis, with a strong focus on our Instant and Microwave lines.

- We plan to keep investing in upgrading our plants, to help boost the economy post Covid.

- Following a very strong H1, we expect to see a slowdown during H2 as the pandemic subsides and the supply-demand balance is restored.

2.1.2 Rice H1 2020

- Turnover rose 24.2% to EUR942.3 million during H1, registering a steady average growth rate of over 17% for the past two years. Tilda contributed EUR89.1 million to the consolidated sales figure.

- The Division's Ebitda-A increased by 27.5% to EUR123.5 million, with profitability increasing by 30 b.p. to a margin of 13.1%, having invested 9.2% more in advertising investment. On a Q2 standalone basis, Ebitda-A grew by 33.7%. The exchange rate had a positive impact of EUR1.4 million on Ebitda-A.

- Operating Profit grew 27.2% to EUR93.1 million.

EUR Thous.	H1 2018	H1 2019	H1 2020	20/19	CAGR 20/18
Sales	688,253	758,722	942,309	24.2%	17.0%
Advertising	13,433	16,045	17,516	9.2%	14.2%
Ebitda-a	85,876	96,851	123,471	27.5%	19.9%
Ebitda-a Margin	*12.5%*	*12.8%*	*13.1%*		
Ebit-a	67,667	74,503	95,002	27.5%	18.5%
Operating Profit	72,507	73,178	93,052	27.2%	13.3%

2.2.1 Pasta H1 2020

- The pasta division performed well with a notable contribution from the US, where Ebitda for H1 equalled the figure for the whole of 2019.

- Following the withdrawal of several private label accounts in 2019, we were able to meet the sharp uptick in demand, achieving 50% growth across our brands. Lower advertising costs also helped to boost returns in this division.

- In Europe, Q2 saw a gradual reduction in stock and we head into Q3 with business almost back to normal, with brands once again trying to make up for lost distribution.

- Demand was not as high for fresh pasta, which recorded more modest single-digit growth.

- The price of durum wheat grew significantly in Europe, especially in Italy, where the spike in demand was compounded by issues with the quality of the harvest.

- On the other hand, in North America, the prospect of a 15% increase in harvest yields has helped to keep prices flat.

- Garofalo enjoyed record growth across the majority of its markets.

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2.2.2 Pasta H1 2020

- Turnover rose 22.7% to EUR770.2 million, registering a steady average growth rate of 13.3% for the past two years.
- Despite the upheaval of Covid-19, we have continued to invest in Advertising, significantly increasing the weighting towards internet advertising.
- The Division's Ebitda-A grew by 62.1% to EUR111.1 million, with the margin growing 3.5 p.p. to 14.4%. Currency had a insignificant impact in this regard.
- Operating Profit grew 107% to EUR73.6 million.

EUR Thous.	H1 2018	H1 2019	H1 2020	20/19	CAGR 20/18
Sales	600,465	627,627	770,217	22.7%	13.3%
Advertising	30,763	30,834	30,118	-2.3%	-1.1%
Ebitda-a	69,357	68,563	111,143	62.1%	26.6%
Ebitda-a Margin	*11.6%*	*10.9%*	*14.4%*		
Ebit-a	46,937	40,241	79,763	98.2%	30.4%
Operating Profit	45,329	35,529	73,555	107.0%	27.4%

CONSOLIDATED GROUP RESULTS H1 2020

3.1 P&L H1 2020

- The consolidated sales figure grew by 23% to EUR1,669.4 million, due to the defensive nature of our products in difficult times.

- Ebitda-a rose 42.8% to EUR227.6 million. In the last three years, it grew by 23% in terms of CAGR. The Ebitda-a margin grew by almost 2 p.p to 13.6%. On a standalone quarterly basis, Ebitda-a grew by 61.2% in Q2, with an Ebitda-a margin of 14.7%. Currency contributed EUR2.1 million to this result.

- Net Profit grew by 38% to EUR102.8 million, and on a standalone basis in Q2 it increased by 50%, due to the operating leverage derived from the positive business performance.

EUR Thous.	**H1 2018**	**H1 2019**	**H1 2020**	**20/19**	**CAGR 20/18**
Sales	1,260,824	1,356,800	1,669,412	23.0%	15.1%
Advertising	44,730	46,598	47,653	2.3%	3.2%
Ebitda-a	150,324	159,382	227,556	42.8%	23.0%
Ebitda-a Margin	*11.9%*	*11.7%*	*13.6%*		
Ebit-a	109,383	108,018	166,961	54.6%	23.5%
Operating Profit	112,949	107,830	159,981	48.4%	19.0%
Pre-tax Profit	111,525	106,824	156,796	46.8%	18.6%
Net Profit	76,339	74,458	102,755	38.0%	16.0%
ROCE-A %	*13.6%*	*11.4%*	*13.2%*	15.8%	-1.5%

3.2 Debt Performance

- We ended H1 with Net Debt standing at EUR949.7 million, EUR50.2 million less than at year-end 2019. This figure accounts for dividend payments made in April and June, as well as the October dividend payment amounting to EUR29.2 million.

- Working capital fell by EUR38.8 million y-o-y, as our stock was depleted by sharp increases in demand for our products.

- Despite the considerable investment we have planned in organic growth, Covid-19 has also slowed some of our investments. CapEx therefore reached EUR52 million during H1. It is likely that we will speed up investments in H2 2020 in order to make up for lost time.

EUR Thous.	30 Jun 18	31 Dec 18	30 Jun 19	31 Dec 19	30 Jun 20	20/19	CAGR 20/18
Net Debt	732,223	704,621	831,730	999,849	949,681	14.2%	13.9%
Average net debt	*513,013*	627,350	*725,051*	871,658	*965,013*	*33.1%*	*37.2%*
Equity	2,076,292	2,162,334	2,195,244	2,262,203	2,240,385	2.1%	3.9%
ND Leverage	*35.3%*	*32.6%*	*37.9%*	*44.2%*	*42.4%*	*11.9%*	*9.6%*
AND Leverage	*24.7%*	*29.0%*	*33.0%*	*38.5%*	*43.1%*	*30.4%*	*32.0%*
x Ebitda-a (ND)		2.29		2.92			
x Ebitda-a (AND)		2.0		2.5			

CONCLUSION

4. Conclusion

- During H1 2020 we saw a strong surge in demand, with particular focus on core, rather than convenience products. After performing poorly at the start of the lockdown, fresh products have now stabilised. There was also a decline in food service (Horeca), although our exposure to this channel is fairly limited.

- We would highlight the hard work and dedication of our workforce which, combined with the amazing response of our plants, has allowed us to meet the heightened demand, without any major impact from Covid-19.

- To date, we have spent more than EUR9.2 million on costs directly related to Covid-19. This includes: protective equipment, disinfection and cleaning, operator premiums and donations. We have also had other expenses that are not included in this figure, due to greater labour costs (extra hours, new shifts, etc.), increased transport costs to supply our customers rapidly, and inflation on raw materials due to the sharp uptick in demand, all of which are harder to quantify into an exact figure.

- Following several months of heightened volatility, in the past few weeks we have seen a return to a more normal supply-demand balance.

- Provided there are no further outbreaks or lockdowns, we foresee a strong H2, albeit with more stable growth.

5. Corporate Calendar

As part of Ebro's commitment to complete transparency, below we provide our Corporate Calendar for 2020:

➢ 27 February	Presentation of YE2019 Results
➢ 1 April	Four-month payment of ordinary dividend (EUR0.19/share)
➢ 29 April	Presentation of Q1 2020 results
➢ 30 June	Four-month payment of ordinary dividend (EUR0.19/share)
➢ 29 July	Presentation of H1 2020 results
➢ 1 October	Four-month payment of ordinary dividend (EUR0.19/share)
➢ 28 October	Presentation of 9M20 Results and Pre-YE 2020

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6. Calculation of Alternative Performance Measures

- According to the guidelines set by the European Securities and Markets Authority (ESMA), the following is a list of the indicators used in this report. These indicators are currently and consistently used by the Group to describe its business performance and their definitions have not been altered:

  - EBITDA-A. Earnings before interest, taxes, depreciation and amortization, excluding results considered as extraordinary or non-recurring (essentially profit earned from transactions relating to the Group's fixed assets, industrial restructuring costs, results from or provisions for lawsuits, etc.). EBITDA-A is calculated consistently with prior-year EBITDA.
  - EBIT-A. EBIT-A is calculated by subtracting the year's amortisations and depreciations from EBITDA-A. EBIT-A is calculated consistently with prior-year EBIT.

	30/06/2018	30/06/2019	30/06/2020	2020 - 2019
EBITDA(A)	**150.324**	**159.382**	**227.556**	**68.174**
Provisions for amortisation	(40.941)	(51.364)	(60.595)	(9.231)
EBIT(A)	**109.383**	**108.018**	**166.961**	**58.943**
Non-recurring income	7.655	5.574	1.964	(3.610)
Non-recurring costs	(4.089)	(5.762)	(8.944)	(3.182)
OPERATING PROFIT	**112.949**	**107.830**	**159.981**	**52.151**

  - CAPEX. Capital expenditure - payments for investment in production related fixed assets.
  - Net Debt:

	30/06/2018	30/06/2019	30/06/2020
(+) Non-current financial liabilities	664.007	584.557	861.261
(+) Other current financial liabilities	357.358	453.440	416.909
(-) Sums of security deposits payable	(98)	(97)	(851)
(-) Cash and cash equivalents	(287.624)	(205.092)	(326.239)
(-) Derivatives – assets	(2.447)	(1.228)	(1.789)
(+) Derivatives – liabilities	1.027	150	389
TOTAL DEBT NET	**732.223**	**831.730**	**949.680**

  - (Average) Net Debt: Average net debt refers to the 13-month moving average based on previous net debt.
  - (Average) Working Capital: 13-month moving average of the sum of inventories, trade receivables and provision of services, other receivables less trade payables and other current payables.
  - Capital Employed (average). 13-month moving average of the sum of intangible assets, property, plant and equipment and working capital.
  - ROCE-A: Ratio of the average profit/loss after depreciation/amortisation and before tax for the last 12-month period (excluding extraordinary and non-recurring items) divided by the average capital employed, as previously defined. ROCE-A is calculated consistently with prior-year ROCE.

7. Legal Disclaimer

- This presentation contains our true understanding to date of estimates on the future growth in the different business lines and the global business, market share, financial results and other aspects of business activity and the positioning of the Company. All the data included in this report have been put together according to International Accounting Standards (IAS). The information included herein does not represent a guarantee of any future actions that maybe taken and it entails risks and uncertainty. The actual results may be materially different from the ones stated in our estimates as a result of various factors.

- Analysts and investors should not rely on these estimates, which only cover up to the date of this presentation. Ebro Foods does not assume any obligation to publicly report the results of any review of these estimates that may be carried out to reflect events and circumstances occurring after the date of this presentation – including but not limited to – changes in Ebro Foods business or its acquisitions strategy, or to reflect unforeseen events. We encourage analysts and investors to consult the Company's Annual Report, as well as the documents filed with the Authorities and more specifically with the Spanish National Securities Markets Commission (CNMV).

- The main risks and uncertainties affecting the Group's business are the same as those included in the Consolidated Annual Accounts and the Management Report for the year ending 31 December 2019, which is available at www.ebrofoods.es. We believe that there have been no significant changes during this financial year. The Group still has some exposure to the raw materials markets and to passing on changes in prices to its customers. Likewise, there is certain exposure to fluctuations in the exchange rate, especially the dollar, and changes in interest rates.