

Muttenz, 24 February 2021

Media release

Valora concluded the 2020 financial year with positive EBIT at the upper end of guidance and strong free cash flow

- **After a good start to 2020, Valora Group’s business was heavily impacted by the COVID-19 crisis throughout the year, with a significant recovery briefly recorded between the two waves of the virus.**
- **Official government orders to contain the coronavirus (COVID-19) led to a sharp drop in footfall and reduced Valora Group’s external sales by -16.7% and net revenue by -16.4% compared to the previous year.**
- **A significant year-on-year cost reduction of -11.7% compensated for 55.5% of the Group’s decline in gross profit.**
- **In spite of massively reinforced government restrictions towards the end of the year, a positive EBIT of CHF 14.1 million (2019: CHF 91.5 million) at the upper end of the guidance was achieved; Group net profit was CHF -6.2 million (2019: CHF 73.7 million).**
- **Thanks to solid EBITDA of CHF 83.4 million (2019: 157.4 million), consistent management of net working capital and focused investment decisions a strong free cash flow of CHF 38.1 million (2019: CHF 76.0 million) was generated.**
- **The balance sheet was strengthened through a reduction of net debt (31.12.2020: CHF 211.8 million); leverage ratio at a solid 2.5x EBITDA.**
- **The attractiveness of the foodvenience business remains high with the recovery depending on the easing of working and mobility restrictions; Valora thus confirms its unchanged pre-crisis strategy.**
- **Business development above previous year expected in the second half of 2021 and a return to pre-crisis profitability on a monthly basis by the end of the year.**
- **Proposal to the General Meeting of Valora Holding AG to carry forward the 2020 net profit to the new financial year without distribution of a dividend. Felix Stinson stands for election as a new member to the Board of Directors.**

After a good start to the year, Valora Group’s business was heavily impacted by the worldwide COVID-19 crisis. As a result of government orders to contain the virus during the first and second waves of the pandemic, mobility collapsed and footfall, especially at high-frequency public transport locations, dropped massively, during the lockdown months by up to -80%. Valora was forced to considerably reduce opening hours and close some of its outlets completely, with continuous adjustments in line with the dynamic situation. Throughout the year, about 5% of the Group’s points of sale (POS) were closed on average – peaking in April at about 20% – and about 30% were running with reduced opening hours.

Overall, the Retail formats were significantly less affected than the Food Service formats. This was particularly due to Retail benefiting from its broad product offering including not only food but also tobacco, press, non-food and services as well as from the more diversified POS network with currently more frequented locations such as shopping centres, agglomerations and service stations. While both Retail and Food Service formats experienced a recovery towards the end of the second quarter and particularly during the third quarter, the sales trend deteriorated again with the start of the second-wave lockdowns in the fourth quarter of 2020. The Food Service B2B pretzel business saw a significant temporary drop in orders during the first lockdown due to the weakened out-of-home food service market. In the second half of the year the sales decline was more moderate at -13.4%, due partly to the launch of new distribution channels and product innovations.

Revenue decrease and lower share of high-margin food sales due to government restrictions

In the 2020 financial year, Valora generated net revenues of CHF 1,697.4 million, compared to CHF 2,029.7 million in 2019, and external sales amounted to CHF 2,233.3 million (2019: CHF 2,680.6 million), a decrease of -16.4% and -16.7% respectively, with significant shifts from the food to the tobacco, non-food and services categories. As the out-of-home consumption of food declined due to government restrictions, external sales in the food category decreased by -27.9% in local currency. In the pre-crisis months of January and February 2020, the food category had grown by +2.5% in local currency. Gross profit for the 2020 financial year amounted to CHF 743.3 million compared to CHF 917.2 million in the prior year. The gross profit margin came to 43.8% and remained -1.4 percentage points below the 2019 level, particularly as a result of the above-mentioned lower share of high-margin food sales.

Cost-cutting measures compensated for more than half of the gross profit decline

At an early stage, Valora implemented comprehensive cost-cutting measures across the Group and also made use of the governments' short-time working programmes, with temporarily more than half of its employees on short-time working. This number amounted to approximately one third of the Valora workforce at the end of the year. The main cost-cutting measures related to capacity management at POS, in production and in central functions, including a hiring freeze. In addition, highly disciplined cost management in the areas of, among others, logistics, marketing and IT resources as well as rent concessions were in focus. The Group thus realised a significant year-on-year cost reduction of -11.7% or CHF 96.5 million to CHF -729.3 million, compensating for 55.5% of the Group's decline in gross profit. This was realised despite substantial fixed cost components related to minimum rent and the B2B pretzel production facilities as well as temporary financial support to franchise and agency partners.

The high minimum rents in the turnover-based leases made it impossible to achieve a balanced distribution of risk between landlord and tenant. Despite the ongoing frequency losses, rents for the overall store network were only reduced by -11% in 2020 compared to the contractually owed rent. Rent negotiations for 2021 and beyond continue unabated.

Positive EBIT at the upper end of the guidance

As a result of the sales development and cost savings, Group EBIT for the 2020 financial year amounted to CHF 14.1 million (2019: CHF 91.5 million). It was thus at the upper end of Valora's guidance in spite of the massively reinforced government restrictions towards the end of the year. The EBIT margin was 0.8% (2019: 4.5%). Group net profit came to CHF -6.2 million (2019: CHF 73.7 million).

Strong free cash flow and a strengthened balance sheet

The Group generated strong free cash flow of CHF 38.1 million (2019: CHF 76.0 million), thanks to solid EBITDA (CHF 83.4 million; 2019: 157.4 million) as well as sustainable and consistent management of net working capital and a focused approach to investment decisions. Valora further strengthened its financial structure through the syndicated loan facility increased to CHF 150 million in spring 2020 as well as the proceeds from the capital increase generated by the successful placement of 440,000 shares in November 2020. In addition, it was supported by the waiver of the dividend for the 2019 financial year. As a result, net debt was reduced by CHF -109.1 million to CHF 211.8 million leading to a solid leverage ratio amounting to 2.5x EBITDA (31.12.2019: 2.0x EBITDA). Valora was also able to successfully negotiate additional COVID-19-related headroom for the leverage ratio covenant of its syndicated loan facility up to and including 30 June 2022. Valora thus has a strong balance sheet and a good debt maturity profile.

Resilient business model with foodvenience also remaining attractive in the future

Throughout the crisis year, the Valora network and its partners ensured continuous service to their customers within government constraints. The Group is strongly positioned in its markets and has a business model that is also promising for the future. Michael Mueller, CEO of Valora Group, says: "In the light of the pandemic, the Group proved the resilience of its business. We are convinced that

Valora's foodvenience business will also remain attractive in the future. The recovery will depend on the easing of the working and mobility-related government restrictions. We saw the first clear signs of an easing after the lockdown in the spring 2020."

Strategic priorities continue to be pursued

On this basis, Valora is continuing to pursue its pre-COVID-19 strategic priorities with food as the main growth driver. In 2020, the Group's capital expenditure still amounted to CHF 55 million despite prioritisation and the delay of major investments because of COVID-19. This reflects about 60% of the previous year's capital expenditure.

The B2B capacity expansion for the pretzel production in Germany and the US was fully completed in the first quarter of 2020. The business unit was able to promote further product innovations with the new equipment at hand and won not only new orders from existing food service customers, but also engaged with new customers such as food retailers.

Valora is progressing well with the conversion of the sales outlets secured in the SBB tender into avec convenience stores and modernised kiosk outlets with more food. Only 30 refurbishments had to be postponed due to a COVID-19 related break. The project is expected to be completed in 2022. The converted avec stores are performing above average compared to existing outlets. These first indications are promising.

Valora has also made progress in enhancing the attractiveness of its fresh food offering with innovative products and a range of vegan and vegetarian alternatives. In the context of its sustainability commitment it has saved around 270,000 food portions together with Too Good To Go since 2019 and further implemented promising pilots to fight food waste in the past year. One of these is a digital redundancy cockpit developed for Retail Switzerland, which enables targeted measures to be taken against food waste in sales outlets with a large proportion of food.

In response to changing consumer behaviour, Valora is moving forward with its development of new, digital convenience solutions. It has even expanded its internal competencies during the crisis with store automation and self-checkout, loyalty, delivery, e-commerce and process improvement as the focus areas. Among others, Valora introduced the www.avecnow.ch pilot in the middle of the first lockdown. Today, products ordered in the online store from a wide convenience range and needed at short notice are delivered within just one hour. In addition, a hybrid store model, avec 24/7, was launched at the end of January 2021, running partially as a conventional store, partially autonomously. This is a further key step after the launch of the cashier-free avec box running autonomously with the avec app for store entry, shopping and payment.

Outlook for 2021: Still uncertain when the COVID-19 pandemic will end

It is still not possible today to predict when the COVID-19 pandemic will be overcome. The renewed massive restrictions imposed by the authorities as a result of the second wave of the virus again hit Valora hard in the first two months of 2021. A gradual easing is expected from March 2021, but it can be assumed that this process will take more time than previously thought. Customer frequency will thus not significantly increase before June 2021. On this basis, the ongoing COVID-19 crisis will continue to severely impact Valora's business in the first half of 2021. However, a marked recovery is expected in the second half of the year with business developing better than in the previous year. Valora expects that mainly the food category will profit disproportionately from this recovery with a positive influence on foodvenience turnover and thus on the gross profit margin.

Today, Valora assumes it will be able to return to a monthly profitability comparable to the time before the COVID-19 crisis by the end of 2021. This is supported by continued strict cost management where the company can now benefit from the sustainable measures implemented and the experiences made last year. The conversion of the SBB locations will continue at a pace adapted to the current situation. Also, no compromises ought to be made in the development of digital competencies and convenience solutions. Even though turnaround is expected to be achieved in

2021, uncertainty on the timing and extent of the easing of governmental restrictions remains high. It is therefore not yet possible to provide reliable guidance on the 2021 result. Based on the business development of the first six months, Valora will give an outlook on the 2021 annual results at the press conference on the 2021 half-year results.

Proposals to the General Meeting

At the Annual General Meeting on 31 March 2021, the Board of Directors will propose to carry forward the 2020 net profit to the new financial year without distribution of a dividend. In view of the still persistent COVID-19 situation and in order to maintain strategic freedom of action, the Board of Directors has decided to proceed prudently with the company's financial resources in the interests of the company and all its stakeholders.

Moreover, the Board of Directors recommends the election of a new member: Felix Stinson is in charge of investment management at the family office of the Ditsch family, of which he is a member. He will add his expertise in finance and investing to the Board of Directors and represent Valora anchor shareholder Ernst Peter Ditsch as an indication of his long-term commitment to Valora. Subject to his successful election to the Board of Directors, Felix Stinson will succeed Director Suzanne Thoma, who is not standing for re-election. She has decided to leave the Board to focus on her main activities, i.e. energy, infrastructure services and industry. The Board of Directors would like to thank Suzanne Thoma on behalf of Valora for her commitment and support during the past term.

The 2021 Annual General Meeting will be held without the attendance in person of shareholders in accordance with Art. 27 of "Ordinance 3 on the measures for combating the coronavirus (COVID-19)" ("Verordnung 3 über die Massnahmen zur Bekämpfung des Coronavirus (COVID-19)") issued by the Federal Council (COVID-19 Ordinance 3).

Valora Group	2020		2019		Change	
	in CHF million	%	in CHF million	%		in local currency
External sales	2'233.3	131.6%	2'680.6	132.1%	-16.7%	-15.1%
Net revenue	1'697.4	100.0%	2'029.7	100.0%	-16.4%	-15.2%
Gross profit	743.3	43.8%	917.2	45.2%	-19.0%	-17.7%
- Operating costs, net	-729.3	-43.0%	-825.7	-40.7%	-11.7%	-10.4%
Operating profit (EBIT)	14.1	0.8%	91.5	4.5%	-84.6%	-84.3%
EBITDA	83.4	4.9%	157.4	7.8%	-47.0%	-45.9%
Group net profit	-6.2	-0.4%	73.7	3.6%	n.a.	n.a.

Curriculum Vitae: Felix Stinson

Felix Stinson has been in charge of investment management at Ditsch Family Office in Mainz and Zurich since 2017. Before that, the 35-year-old German-American citizen spent over two years at the German branch of BNP Paribas S.A., where he held various positions including portfolio manager for leveraged finance transactions. He was a quantitative analyst in investment banking at Deutsche Bank AG in New York and Frankfurt from 2010 to 2014. During his studies, he also worked at BASF SE/ BASF IT Services GmbH in Germany and the United Kingdom and then at IBM Deutschland GmbH. Felix Stinson holds a Master of Science in Finance and Investment from Rotterdam School of Management, Erasmus University. He also completed a Bachelor's in Mathematics at the Technical University of Darmstadt and a diploma in business informatics at Baden-Wuerttemberg Cooperative State University in Mannheim. Felix Stinson is a member of the United Chocolate GmbH Advisory Board. He will represent Ernst Peter Ditsch, anchor shareholder of Valora, on the Valora Board of Directors and add his expertise in finance and investment to the committee.

The documents are available online at www.valora.com.

- [Media release](#)
- [Presentation of the Full-Year Results 2020](#)
- [Online Annual Report 2020](#)
- [Valora Stories – The Annual Report Selection](#)

If you have any questions, please do not hesitate to contact:

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About Valora

Each and every day, around 15,000 employees in the Valora network work to brighten up their customers' journey with a comprehensive foodvenience offering – nearby, quick, convenient and fresh. The around 2,700 small-scale points of sale of Valora are located at highly frequented locations in Switzerland, Germany, Austria, Luxembourg and the Netherlands. The company includes, among others, k kiosk, Brezelkönig, BackWerk, Ditsch, Press & Books, avec, Caffè Spettacolo and the popular own brand ok.– as well as a continuously growing range of digital services. Valora is also one of the world's leading producers of pretzels and benefits from a well-integrated value chain in the area of baked goods. Valora generates annual external sales of CHF 2.2 billion. The Group's registered office is in Muttenz, Switzerland. The registered shares of Valora Holding AG (VALN) are traded on SIX Swiss Exchange AG.

More information is available at www.valora.com.

Disclaimer

This document contains forward-looking statements referring to topics that are not based on historical fact and cannot otherwise be proven by referring to past events. Forward-looking statements are based on our current expectations and assumptions and are subject to uncertainties as well as known and unknown risks. These uncertainties and risks, along with other factors, may mean that actual future events and developments, including Valora's results, financial position and development, significantly deviate from what was explicitly or implicitly stated or assumed in the forward-looking statements.

The information, opinions and forward-looking statements contained in this document only apply at the time of publication. Valora is not obligated to review or update forward-looking statements in light of new information or future developments or for any other reasons. This media release is not intended as a recommendation to buy securities.

**Telephone conference for media
Valora Financial Results 2020**

Date: Wednesday, 24 February 2021

Time: 8:30 a.m. (CET)

Language: German

Speakers: Michael Mueller, CEO
Beat Fellmann, CFO

Telephone conference

Switzerland/Europe: +41 (0) 58 310 50 00

United Kingdom: +44 (0) 207 107 06 13

United States: +1 (1) 631 570 56 13

Webcast: [Link](#)
(only presentation without sound; for audio, please dial in to the telephone conference)

Presentation: [Link to PDF](#)

**Telephone conference for investors and analysts
Valora Financial Results 2020**

Date: Wednesday, 24 February 2021

Time: 10:30 a.m. (CET)

Language: English

Speakers: Michael Mueller, CEO
Beat Fellmann, CFO

Telephone conference

Switzerland/Europe: +41 (0) 58 310 50 00

United Kingdom: +44 (0) 207 107 06 13

United States: +1 (1) 631 570 56 13

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The recording of the telephone conference will be made available by 4:00 p.m. (CET) at the latest at www.valora.com.