

Press release – Ninove – 3 May 2022

La Lorraine Bakery Group records strong result in 2021

The company expects significant growth in 2022, backed by an ambitious investment plan, and is committed to further digital transformation and sustainability.

Ninove, 3 May 2022 – La Lorraine Bakery Group recorded a turnover of EUR 885 million and an EBITDA of EUR 112 million in 2021, with a net profit after tax of EUR 25 million. CEO Guido Vanherpe is satisfied that 2021 showed a successful comeback after a more difficult Covid year in 2020, despite the repeated setbacks, such as new lockdowns and unexpected cost increases last autumn. With this result, La Lorraine Bakery Group is in a strong position to face the new challenges of 2022 and to reconnect with its ambitious long term growth programme. In 2022, La Lorraine Bakery Group wants to accelerate the investment catch-up it started last year.

Strong comeback in 2021

The first quarter of 2021 got off to a rough start due to new lockdowns and unexpected problems with the supply of raw materials, resulting in cost increases in the last quarter of 2021. Nevertheless, La Lorraine Bakery Group managed to bring its turnover and EBITDA back up to the level of 2019. This is thanks to a strong recovery in the hospitality sector in the second half of 2021, the continuation of the successful growth strategy in new markets, and the launch of some innovative product categories.

La Lorraine Bakery Group achieved a **turnover of EUR 885 million** in 2021, an increase of 19% compared to 2020 and up 5% compared to 2019. The group **EBITDA amounted to EUR 112 million**, a growth of 29% compared to 2020, and back to the level of 2019.

After strongly reduced investments in the Covid year 2020, La Lorraine Bakery Group invested a **Capex of EUR 104 million** in 2021, mainly in additional production capacity for high-quality bakery products.

“After the Covid dip in 2020, we managed a strong comeback in 2021, despite several lockdowns in the first quarter, an unforeseen commodity shortage, a poor wheat harvest, and inflation in the second half of the year. This allowed us to get back to the level of our 2019 financial results. This is not as high as envisaged without Covid, but I am very pleased that we are so resilient in these disruptive times. That is thanks to the continued efforts of our more than 4,300 employees,” says **Guido Vanherpe, CEO of La Lorraine Bakery Group.**

Digital transformation & sustainability

Despite the short-term challenges, La Lorraine Bakery Group continued to focus on the long term. In 2021, the company made progress on two key strategic pillars: digital transformation and sustainability. The company launched a consumer e-commerce platform for Panos & Tarte à moi, and a new digital business platform for food service in the Benelux.

A second important priority is sustainability. In 2021, La Lorraine Bakery Group clarified its sustainability ambitions for the coming decades, with a continued focus on the 3 Ps: people, product, and planet. The company aims for a substantial improvement on the ESG criteria using a targeted action plan. In terms of the planet, La Lorraine Bakery Group commits to achieving net zero for its own emissions by 2039 and to decarbonise its supply chain by 2050, in line with the climate objectives of the Paris Agreement. Using a 10-point programme, the company will turn this ambition into a concrete action plan for the period 2022–2027.

Clear ambitions in 2022 for all divisions

La Lorraine Bakery Group expects a strong increase in turnover in 2022 due to important volume growth and the impact of significant price increases as a result of the continuing crisis on the raw materials and energy markets.

The cost price increases for raw materials, packaging materials, energy and wages, which started in the second half of 2021, are expected to continue in 2022. The aim is to pass on these cost-price increases as far as possible through price increases. Furthermore, the company expects the negative effects of 2020 and 2021 to be neutralised in 2022.

Strong volume growth is expected in the retail and food service channels within the **Frozen Bakery Division**, as well as in the still small but rapidly growing segment of e-commerce customers. This growth will be realised in all our European markets and all our product categories. To this end, additional capacity was built at the Czech production site in the course of 2021.

An investment programme will be rolled out in 2022 and 2023 to enable further growth from 2023 onwards. This includes the construction of a new production hall at the Frozen production site in Erpe-Mere, Belgium. The new site will be commissioned in the last quarter of 2022 with the start-up of two state-of-the-art frozen food production lines. In addition, production capacity will be added at the Polish production site, and work will start on further expanding production and warehouse capacity in Belgium, Czech Republic, Hungary, and Romania.

The **Fresh Bakery Division**, as a Belgian market leader in daily fresh bread and patisserie, will continue to implement its strategy of product and concept innovation in the retail channel. The investment in a brand-new cake line at the Ostend site will bring new growth, innovation opportunities, and increased efficiency. Efforts are being made within the bread segment to strengthen competencies in artisanal bread concepts.

Despite the long lockdown periods in the Belgian market, the **Store Concepts Division** weathered the Covid period relatively well thanks to the favourable accessibility of the extensive shop network, allowing consumers to easily purchase breakfast, lunch, and bakery snacks 'on the go'.

The range of sandwiches within the Panos concept was successfully renewed in 2021. Panos foresees a full recovery from the negative effects of Covid in 2022. It will strongly focus on digitalising its shop concepts, which should ensure significant growth in sales via e-commerce & delivery partners. Finally, a significant number of new shop openings, with an updated 'look & feel', are planned at strategic locations in the Belgian market.

The **Milling Division** foresees a more difficult year in terms of gross margin due to acute and disruptive price increases for wheat, limited availability of quality wheat due to the poor harvest in 2021, massively increased energy costs, and disruption of the logistics supply chain. Revenue growth in 2022 will be driven by significant price increases combined with limited volume growth. The strategic focus remains on products and innovations with higher added value, such as wholemeal and multigrain flour.

Impact of the crisis in Ukraine

La Lorraine Bakery Group expects to be able to take the necessary measures to reduce the impact of the war in Ukraine on the expected financial results of 2022 as much as possible.

The **direct effects** on La Lorraine Bakery Group will remain limited for 2022. Exports from existing production sites to Russia and Ukraine account for less than 3% of total group turnover. Due to the crisis in Ukraine, both exports to Russia and the construction of a new production site were put on hold in early March. At the same time, a cost-cutting programme was implemented, whereby the Russian organisation was reduced to a core team of about 10 people. The company continues to monitor the evolution closely.

The **indirect effects** will be the same for La Lorraine Bakery Group as for the entire bakery and food industry in 2022. Ukraine plays a leading role in the world supply of agricultural products such as wheat, maize, and sunflower oil. Supply insecurity, much like energy insecurity, causes prices to rise. This will, undoubtedly, lead to significant price increases for finished products being passed on to customers and consumers. Apart from these unprecedented price increases, there are no indications, for the time being, that there will be significant shortages in basic commodities such as wheat and butter in Western, Central, and Eastern Europe. There will also be an impact on labour costs, which will rise as well due to high inflation during 2022 and 2023.

"The year 2022 has started with a new challenge: the crisis in Ukraine means that again a massive effort and a lot of resilience will be required to pass on the effects of cost inflation to the market. At the same time, we expect strong volume growth in 2022, thanks to new production capacity and the scaling-up of strong product innovations. Finally, we believe that an increasing focus on our digital transformation and new sustainability strategy will position our company even more strongly in the

market. That way, we can further strengthen our long-term ambition of not only becoming a bigger company, but above all a better one," says **Guido Vanherpe, CEO of La Lorraine Bakery Group.**

About La Lorraine Bakery Group

La Lorraine Bakery Group (LLBG) is a 100% Belgian family-owned company active in the milling and bakery sector with a wide range of authentic, fresh bakery products. Every day, more than 4,300 enthusiastic employees produce and sell high-quality bakery products to consumers, supermarkets, and the food service sector around the world.

We are building a leading international company, active in over thirty countries, with bakery production in seven countries, passionate about growth and with the ambition to transform the bakery market thanks to our years of expertise, new technologies, and motivated and talented employees. The company operates in four business units: Bakery Frozen, Bakery Fresh, Store Concepts, and Milling.

The main financial objectives are long-term value creation and qualitative growth through innovation and entrepreneurship. The group reported a turnover of EUR 885 million in 2021.

We want to remain a sustainably entrepreneurial company for generations with a heart for quality and innovation that does right by all its stakeholders, making us not only a bigger company, but above all a better one.

www.llbg.com

Contact

Nele Van Malderen
n.vanmalderen@llbg.com
+32 (0)470 500 200