B&S Group Half Year 2020 results

Diversified business model limits Covid-19 impact on turnover. Solid financial position as a result of strong focus on working capital.

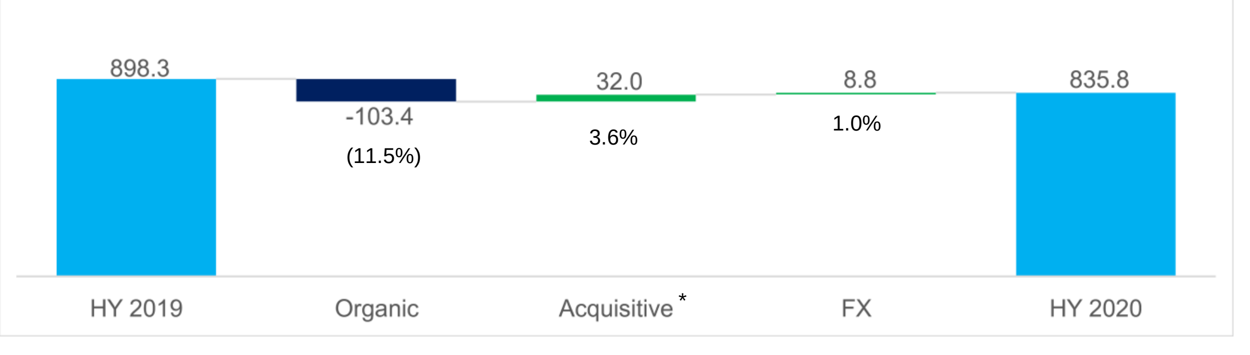
Mensdorf, Luxembourg – August 24, 2020 (07:00 CET)

B&S Group S.A. ("B&S Group" or the "Group"), a global distribution partner for consumer goods, today announces its half year 2020 results.

Highlights HY 2020 (compared to HY 2019)

- Driven by the impact of Covid-19, overall turnover decreased by 7.0% to € 835.8 M (7.9% on a constant currency basis);
- Organic turnover decrease of 10.5% (11.5% at constant currency);
- The effect of lower sales and margins was partly counterbalanced by scaling down (temporary) staff costs and utilising government support measures, resulting in an EBITDA of € 35.3 M (HY 2019: € 52.7 M);
- Net cash from operations amounted to € 70.4 M (HY 2019: - € 0.4 M), which was the result of strong focus on matching inventory inflow with sales outflow;
- On the back of strong cash flow, Net debt / EBITDA at June 30, 2020 stood at 2.8 (pre IFRS 16), well within covenants;
- Net profit amounted to € 12.8 M (HY 2019: € 28.2 M).

Turnover development breakdown HY 2020 *in € million (unless otherwise indicated)*



** Acquired growth originating from Lagaay and Rotterdam & Weeze Airport*

Highlights Q2 2020 (compared to Q2 2019)

- Covid-19 impact resulted in overall turnover decrease of 12.1% to € 415.3 M (12.9% on a constant currency basis);
- Organic turnover decrease of 15.3% (16.1% at constant currency).

Tako de Haan, CEO; "While the impact of Covid-19 intensified on a global scale in the second quarter of 2020, our diversified business portfolio showed relative resilience during this pandemic. After an overall turnover decline of 1.3% over Q1, the second quarter saw turnover decline by 12.1% (15.3% organically), therewith outperforming our expectations at the time of our Q1 trading update publication on May 18, 2020. This was the result of swift recovery of our value retail business after the re-opening of shops starting in April, the continuance of sales recovery in our Asian markets that started late Q1 albeit at substantially lower margins due to destocking in the market and – above all – our enhanced focus on our online sales channels.

We continued our strict cost control measures to reduce operating expenses, which mainly comprise of staff costs, by bringing temporary staff in line with the lower sales volumes and utilising government support in the countries we are present, therewith mitigating the effect on our EBITDA levels where possible. Nevertheless, our EBITDA margin decreased due to the fixed part of our cost base combined with the 7.0% overall turnover decline.

Despite the lower EBITDA margins, our cash flow in the first half of 2020 was strong and amounted to over € 70 million. This was driven by our focus on matching purchases with sales levels and as such re-balancing our inventory positions in line with market developments as fast as possible, supported by the turnaround times of our inventories.

At the same time, we accelerated our digital transformation (which we refer to as our Digital First approach) by enhancing operational efficiency and sharpening our business to leverage the opportunities we foresee in specific niche markets and online channels. For example, we accelerated the further roll out of our Enterprise Resource Planning (ERP) system in (sub)segments and implemented our Project Management Office (PMO) to streamline the internal organisation and intensify segmental collaboration.

In the latter part of Q2 we prepared our operations for our employees to come back to work at our offices. From July onwards, the majority of our workforce gradually returned to the office in an adjusted physical setting and with adherence to strict protocols. We are proud of the mentality and the flexibility that our colleagues are demonstrating, as well as their adaptiveness and eagerness to explore and seize new business opportunities in a changed business environment. On a personal note, I am impressed by the expertise and passion of our people and convinced that, post-Covid-19, we will continue to grow our business.

Looking towards the second half of 2020 – all provided the absence of a second wave of Covid-19 - we anticipate further market recovery for our distribution to physical retailers and our Asian and European markets, with the exception of the cruise and travel retail markets. Continued growth is foreseen in e-commerce activities to platforms and end-consumers. In this light, we anticipate to return to pre-Covid-19 turnover levels in 2021, albeit a business mix that emphasizes our positions in current growth markets.

Besides our enhanced focus on optimising internal processes and digitising our operations driven by our Digital First approach, we will continue to sharpen the strategic focus areas and business priorities as initiated in 2019."

Key figures HY 2020 [1]

€ million (unless otherwise indicated)	**HY 2020 reported**		**HY 2019 reported**		**Δ (%) reported**
Profit or loss account					
Turnover	835.8		898.3		(7.0%)
Gross profit *(margin)*	114.9	13.7%	126.3	14.1%	(9.0%)
EBITDA *(margin)*	35.3	4.2%	52.7	5.9%	(33.0%)
Depreciation & Amortisation	15.9		12.1		
Profit before tax	14.9		35.1		(57.7%)
Net profit	12.8		28.2		(54.6%)
EPS (in euro)	0.07		0.27		(75.2%)
Inventory in days	78		98		
Working capital in days	92		116		
Net cash from operations	70.4		(0.4)		
Financial position					
Solvency Ratio*	37.2%		33.7%		
Net Debt*	239.6		329.8		(27.2%)
Net Debt/EBITDA**	2.8		3.0		

**on Pre-IFRS 16 basis*

***Net debt and EBITDA on pre-IFRS 16 basis*

Financial performance

Turnover

HY 2020 overall turnover declined by 7.0% (7.9% at constant currency), driven by the impact of Covid-19. Organically, turnover declined by 10.5% (11.5% at constant currency).

In our Asian Liquor market we saw the Covid-19 impact predominantly in the first part of Q1. Towards the end of Q1 this market started to show early signs of recovery, which further developed in the second quarter – although at margins that were below the levels we initially anticipated. This is due to supply-demand imbalance in this market caused by Covid-19. Liquor

[1] Due to the international nature of our business, significant portions of our turnover and expenses are denominated in currencies other than the Euro, including the US dollar. Consequently, our results from operations are affected by translational foreign exchange risk and currency translation can affect the comparability of our consolidated financial results. To explain the impact of currency volatility on our consolidated financial results, in this press release we include some constant currency disclosure, which is calculated by translating current balances at prior rates. The average EUR/USD FX rate for HY 2020 is 1.1020 (vs.1.1298 for HY 2019).

wholesale in Europe saw an impact from the lockdowns starting at the end of Q1, which accelerated early in Q2 and remained throughout the quarter given the continued restrictions in relation to public gatherings. All together this resulted in a 9.1% overall turnover decline in our HTG Liquor business for H1.

Our online Health & Beauty distribution to platforms and end-consumers showed resilience in Q1 and performed beyond anticipated levels in Q2, where our distribution to physical retail outlets in European countries was affected by the closing of shops starting mid-March. With these shops opening again over the course of Q2, sales did recover towards the end of Q2. All in all, it resulted in a 5.8% decline of turnover for our HTG Health & Beauty business in H1.

With the travel sector being affected by restrictions on a global scale, our cruise market in the B&S Segment came to a standstill towards the end of Q1 and this situation continued in Q2. On the other hand, our food supply to remote areas and the majority of our international FMCG distribution showed resilience throughout the first half of the year. Moreover, the acquired medical supply business (Lagaay Medical Group) saw increased sales volumes driven by Covid-19 developments. As a result, the B&S Segment reported turnover growth of 8.8% in H1.

Our travel retail activities at international and regional airports were severely impacted by Covid-19 as this sector came to an almost complete standstill at the end of Q1, leading to a 57.8% turnover decline in the Retail Segment in H1.

Turnover split per segment

€ million (unless otherwise indicated)	**HY 2020 reported**	**HY 2019 reported**	**Δ (%) reported**	**Q2 2020 reported**	**Q2 2019 reported**	**Δ (%) reported**
HTG Segment	582.7	626.2	(7.0%)	299.3	327.1	(8.5%)
Liquors	*197.3*	*217.1*	*(9.1%)*	*106.4*	*114.2*	*(6.8%)*
Health & Beauty	*385.4*	*409.2*	*(5.8%)*	*192.2*	*212.9*	*(9.4%)*
B&S Segment	225.9	207.8	8.8%	112.4	109.7	2.5%
Retail Segment	27.1	64.3	(57.8%)	3.6	35.7	(90.0%)
TOTAL TURNOVER	**835.8**	**898.3**	**(7.0%)**	**415.3**	**472.5**	**(12.1%)**

Gross Profit

Gross profit came in at € 114.9 M (HY 2019: € 126.3 M). As a percentage of turnover, this was a decline to 13.7% from 14.1%, mainly the net effect of low margins in our Liquor category in Asia in our Q2 sales and partly the effect of the sales decline in the Retail Segment which comes at higher margins.

EBITDA

Due to the fixed part of our cost base combined with the 7% turnover decline, our EBITDA decline outpaced the decline in turnover and arrived at € 35.3 M (HY 2019: € 52.7 M) or -33.0% compared to HY 2019.

The measures taken to mitigate the Covid-19 effect on our EBITDA were concentrated on reducing variable operating expenses (which mainly comprises of staff costs) by bringing temporary staff in line with sales volumes and utilising government support in the countries we are present. On a like for like basis this resulted in a decline of staff costs. At reported rates, staff costs increased to € 55.8 M due to the consolidation of the acquired Lagaay Medical Group and the increased staff costs at FragranceNet.com related to company growth.

Result for the year

Depreciation of right-of-use assets and Amortisation of intangible fixed assets increased mainly as an effect of the inclusion of Lagaay and software investments made until date. Financial expenses decreased mainly as a result of the strongly decreased USD lending rate (average USD LIBOR interest rate of 2.0% in December 2019 vs 0.5% in June 2020). This resulted in profit before tax of € 14.9 M (HY 2019: € 35.1 M) and net profit of € 12.8 M.

Net profit attributable non-controlling interests came in at € 7.2 M (HY 2019: € 5.4 M) as a result of growth in e-commerce (FragranceNet.com) and medical supply (Lagaay Medical Group) with both companies seeing positive impact from Covid-19 developments. Net profit attributable to the owners of the Company came in at € 5.7 M.

Cash flow & financial position

Our financial position remained solid given our ongoing focus on working capital, as well as the cost control measures related to Covid-19 that we implemented over the course of the first half of 2020.

Solvency as at June 30, 2020 stood at 37.2% and was the result of continued profitability, the cancellation of final dividend for 2019 and a decreased balance sheet total given our focus on working capital reduction. Our efforts to re-balance our inventory positions in line with market developments as fast as possible resulted in an operating cash flow increase to € 70.4 M (HY 2019: - € 0.4 M) and as such a decreased net debt position compared to YE 2019.

Our measures related to working capital and cost control as described earlier, were concentrated on aligning net debt and EBITDA to allow the group to keep operating within its covenants. As at June 30, 2020 net debt / EBITDA stood at 2.8, well within our covenant of 3.5.

To avoid becoming limited by our balance sheet when sales volumes pick up again and sourcing opportunities arise, we pro-actively engaged with our relationship banks to agree on a covenant holiday for three test periods (HY 2020, FY 2020 and HY 2021). This way, we have created additional head room for inventory build-up towards our seasonally stronger H2 and particularly Q4.

Outlook

Based on the current market outlook and provided absence of a second wave of Covid-19, we foresee a partial recovery of overall Group sales volumes in Q3 with further positive trends towards and in Q4 (traditionally our strongest quarter). This will primarily be driven by continued strong momentum in online channels and further recovery of our Asian and European markets, except for our cruise and travel retail.

We anticipate our EBITDA margins in H2 to increase compared to H1, partly given the seasonality of our business with a traditionally strong Q4 and partly because of gradual margin recovery in our Liquor business in Asia. Yet, we do not expect to see recovery to FY 2019 EBITDA margin levels at FY 2020.

Besides our enhanced focus on optimising internal processes and digitising our operations driven by our Digital First approach, we will continue to sharpen the strategic focus areas and business priorities as initiated in 2019.

Analyst call and audio webcast

Our CEO Tako de Haan and CFO Peter Kruithof will host an analyst call today, Monday August 24, 2020 at 10:30 CET to discuss the half year results 2020.

The presentation can be downloaded shortly before the call and the audio webcast can be followed via the website of B&S Group; www.bs-group-sa.com/investors/reports-results/

The call will be recorded and archived for playback purposes and will be available on our website shortly after the call.

Financial calendar

November 9, 2020	9M 2020 trading update (07:00 CET)

Upcoming roadshows & conferences

September 2, 2020	ING Benelux conference
September 8, 2020	Kepler Cheuvreux Autumn Conference
September 15, 2020	Virtual management roadshow, hosted by ABN AMRO

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About B&S Group

B&S Group is a global distribution partner for consumer goods in attractive channels and across specialised markets, such as Retail B2B (business-to-business), Maritime, Remote and Retail B2C (business-to-consumer). With a well-trained and experienced workforce of over 2,500 employees, the Group serves as a trusted and reliable partner to suppliers and customers, providing essential distribution services and solving their supply chain complexities. B&S Group operates a flexible, well invested and highly efficient distribution platform that comes with strong barriers to entry. Powered by high capacity warehouses and delivered with expertise in customs and compliance, the Group offers over 40,000 consumer goods to its customers in more than 100 countries.

Visit our corporate website: www.bs-group-sa.com

Forward-looking information / disclaimer

This press release includes forward-looking statements. Other than reported financial results and historical information, all statements included in this press release, including, without limitation, those regarding our financial position, business strategy and management plans and objectives for future operations, are, or may be deemed to be, forward-looking statements. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements are based on our current expectations and projections about future events and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond B&S Group's ability to control or estimate precisely, such as future market conditions, the behaviour of other market participants and the actions of governmental regulators. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release and are subject to change without notice. Other than as required by applicable law or the applicable rules of any exchange on which our securities may be traded, we have no intention or obligation to update forward-looking statements.

Appendix 1: Developments by business segment

HTG Liquors

€ million (unless stated otherwise)	**HY 2020 reported**	**HY 2019 reported**	**Δ (%) reported**	**Q2 2020 reported**	**Q2 2019 reported**	**Δ (%) reported**
Turnover	197.3	217.1	(9.1%)	106.4	114.2	(6.8%)
Gross profit	10.7	15.8	(32.3%)			
EBITDA	1.4	6.6	(79.3%)			
EBITDA margin	0.7%	3.0%				

Our liquor distribution to Asia, and particularly China, was impacted by Covid-19 in the first months of 2020, albeit traditionally always a slow quarter after the seasonal peak in Q4. When lockdowns in this area were gradually lifted, we began to notice the first signs of early recovery of sales volumes in this market. This market recovery gained further momentum in Q2, albeit at low margins compared to Q2 2019 levels due to supply-demand imbalance in this market.

Liquor wholesale in Europe was impacted by the social restrictions on end-customers and the closing of public venues across Europe that started in March. In the last weeks of March and throughout Q2, this impact accelerated as more and more countries in Europe declared a temporary lockdown or prolonged the initial period of their lockdown, particularly in relation to public gatherings.

HTG Health & Beauty

€ million (unless stated otherwise)	**HY 2020 reported**	**HY 2019 reported**	**Δ (%) reported**	**Q2 2020 reported**	**Q2 2019 reported**	**Δ (%) reported**
Turnover	385.4	409.2	(5.8%)	192.9	212.9	(9.4%)
Gross profit	66.4	65.2	1.8%			
EBITDA	30.7	34.0	(9.8%)			
EBITDA margin	8.0%	8.3%				

Our online distribution business to platforms and end-customers showed resilience in Q1, and performed even better than anticipated in Q2. On the other hand, the temporary lockdowns of a vast number of countries and the closing of physical shops mid-March, had an effect on our health & beauty distribution to physical retail outlets mainly in the value and discount retail in certain European countries. In the first weeks of Q2, our distribution to physical retail began to show a slow but noticeable upward trend with convenience retail shops in several countries opening again. This trend continued throughout the quarter with sales recovery to 2019 levels towards the end of Q2.

HTG Segment TOTAL

€ million (unless stated otherwise)	**HY 2020 reported**	**HY 2019 reported**	**Δ (%) reported**	**Q2 2020 reported**	**Q2 2019 reported**	**Δ (%) reported**
Turnover	582.7	626.2	(7.0%)	299.3	327.1	(8.5%)
Gross profit	77.5	82.8	(6.5%)			
EBITDA	32.5	40.4	(19.5%)			
EBITDA margin	5.6%	6.4%				

B&S Segment

€ million (unless stated otherwise)	**HY 2020 reported**	**HY 2019 reported**	**Δ (%) reported**	**Q2 2020 reported**	**Q2 2019 reported**	**Δ (%) reported**
Turnover	225.9	207.8	8.8%	112.4	109.7	2.5%
Gross profit	31.5	26.9	17.1%			
EBITDA	9.8	9.5	3.2%			
EBITDA margin	4.3%	4.6%				

Our food supply business to remote and military caterers rely on the continuity of the services we provide and remained stable in H1. The majority of our maritime business and international FMCG distribution also remained relatively resilient in Q1 and Q2, with the acquired medical supply business even seeing increased sales from Covid-19 developments. On the other hand, the sub segments Cruise and international FMCG distribution to duty free markets came to a standstill towards the end of Q1. Organic turnover as such decreased by 6.4% to € 194.4 M in H1 2020. The market circumstances for these two subsegments continued in Q2 and recovery is not expected for the remainder of 2020.

Retail Segment

€ million (unless stated otherwise)	**HY 2020 reported**	**HY 2019 reported**	**Δ (%) reported**	**Q2 2020 reported**	**Q2 2019 reported**	**Δ (%) reported**
Turnover	27.1	64.3	(57.8%)	3.6	35.7	(90.0%)
Gross profit	5.9	16.5	(64.3%)			
EBITDA	(4.5)	4.2	(208.4%)			
EBITDA margin	(16.6%)	6.5%				

The travel sector was severely impacted by Covid-19 related measures. The sales of our international and regional airports retail activities came to a standstill toward the end of March, and this situation continued throughout Q2, resulting in a steep decline in sales in this segment.

Early Q2 we set up a dedicated committee within the retail segment for developing and executing an action plan with primary focus on limiting the effect of Covid-19 on operating profit – which is driven by sales volumes, concession fees and staff costs.

By scaling down temporary staff wherever possible and utilising support from government regulations in the countries we are present, we aligned our cost base within this segment with business volume to the extent possible. Moreover, we kept in close contact with all airports where we operate to come to agreements regarding the suspension or waiving of lease obligations and concession fees. Despite these measures, the rapid and abrupt sales decline of 90% in Q2 resulted in negative EBITDA for HY 2020. However, with the aforementioned cost measures in place, we expect to see gradual improvement of EBITDA levels when sales volumes start picking up - a trend that is prudent but noticeable already.

Since we do not expect recovery of the retail segment to pre-covid-19 levels on the short to medium term, the committee is preparing the roll out of further initiatives to align the organisational structure and cost levels with anticipated sales volumes. In addition, we are investing in further digitising our operations as part of our Digital First approach to permanently increase cost efficiency moving forward.

Appendix 2: Non-IFRS Financial Measures Glossary

EBITDA	EBITDA is defined as earnings before interest, taxes, depreciation and amortisation
EBITDA Margin	EBITDA Margin is defined as EBITDA as a percentage of turnover
Solvency	Solvency is defined as group equity as a percentage of total assets
Working capital	Working capital is defined as Inventory plus Trade receivables minus Trade payables
Net Debt	Net debt is defined as interest bearing liabilities minus cash and cash equivalents