



## **Podravka Group business results for 1 - 12 2022 period**



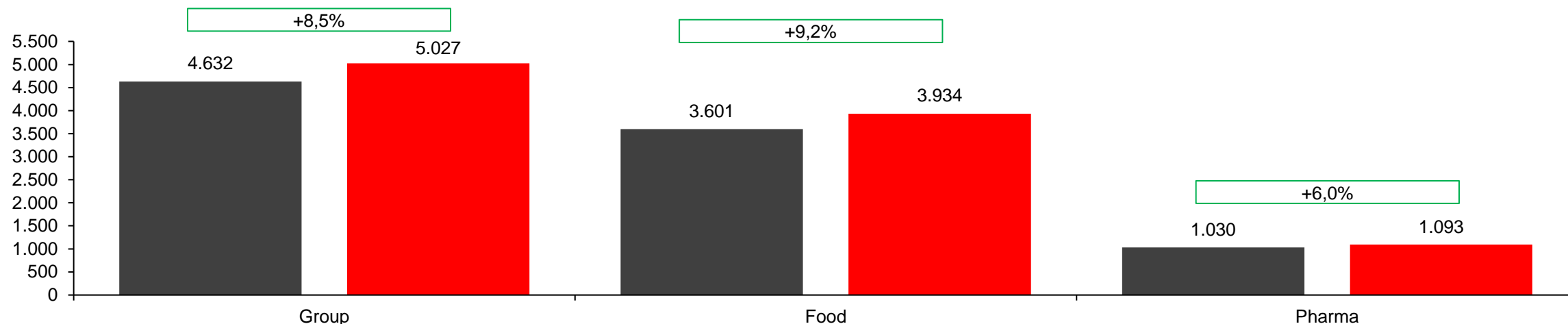
# Sales revenues increase in both segment



in HRK<sub>m</sub>

Sales revenues by segment

■ 2021 ■ 2022



## Podravka Group in 1 - 12 2022<sup>1</sup>:

- **Own brands** → 7.9 % higher revenues,
- **Other sales** → 14.7 % higher revenues,
- **Total Podravka Group** → 8.5 % higher revenues.

## Food segment in 1 - 12 2022<sup>1</sup>:

- **Own brands** → 8.2 % higher revenues due to the increase in revenues of almost all business units, other than BU Fish,
- **Other sales** → 24.8 % higher revenues, primarily as a result of the increase in trade goods sales in the markets of Croatia and Slovenia,
- **Total Food** → 9.2 % higher revenues.

## Pharmaceuticals segment in 1 - 12 2022<sup>1</sup>:

- **Own brands** → 6.5 % higher revenues, as a result of the increase in sales revenues of Prescription drugs (primarily dermatological drugs and drugs for nervous system) and Non-prescription drugs,
- **Other sales** → 4.1 % higher revenues, due to sales increase of trade goods in Bosnia and Herzegovina and Croatia,
- **Total Pharma** → 6.0 % higher revenues.

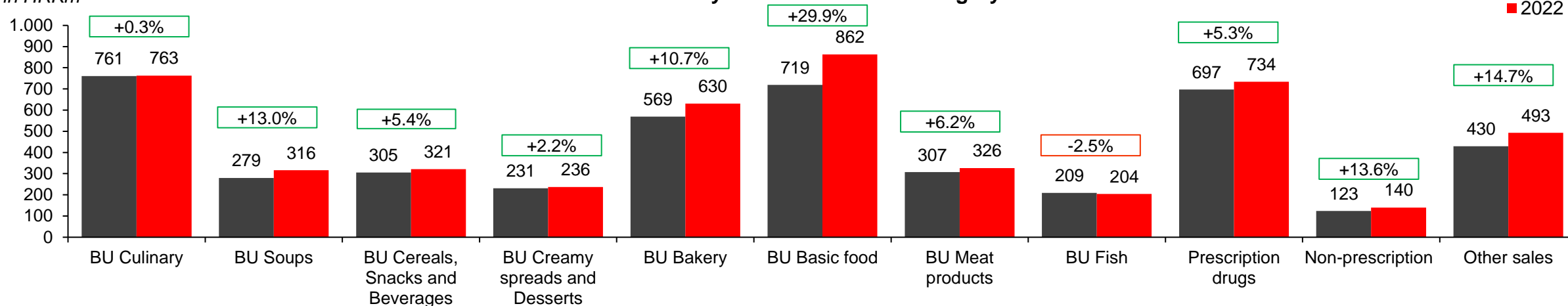
<sup>1</sup>Percentages in the text relate to performance in 1 - 12 2022 compared to 1 - 12 2021.

# Sales revenues increase of almost all business units



in HRKm

Sales revenues by business unit and category



## Business unit and category performance in 1 - 12 2022<sup>1</sup>:

- **BU Culinary (+0.3 %)** → higher revenues. Revenues growth was recorded in almost all markets, which mitigated the decline in revenues on the Russian market following the termination of deliveries.
- **BU Soups (+13.0 %)** → revenues growth, with the growth of market shares in most key markets, retention of leading market positions and expansion of partnerships with retail chains,
- **BU Cereals, Snack and Beverages business unit (+5.4 %)** → higher revenues, through the increase in all categories, primarily in the markets of Croatia, Slovenia, and Bosnia and Herzegovina,
- **BU Creamy spreads and Desserts (+2.2 %)** → higher revenues. The revenue growth was recorded in the Markets of Croatia and Slovenia and in the Southeastern Europe region, with the retention of stable market shares,
- **BU Bakery (10.7 %)** → higher revenues with the simultaneous implementation of the business unit portfolio optimization with the aim of increasing profitability. Revenue growth is primarily realised due to higher sales of the categories Žito Flour, Bread and Rolls and salt bakery products,
- **BU Basic food (+29.9 %)** → higher revenues than in the comparative period, primarily due to the increase in sales of the categories Side dishes, Vegetables and Tomato products,
- **BU Meat products (+6.2 %)** → higher revenues compared to the same period of the previous year, with the simultaneous implementation of the business unit portfolio optimization and the discontinuing of low turnover products. The revenue growth was recorded in almost all regions, mostly within the Southeastern Europe region,
- **BU Fish (-2.5 %)** → lower revenues than in the comparative period, primarily due to the decrease in revenues of the Tuna subcategory, due to changes in consumer consumption habits, while there was an increase in revenue of the Sardine subcategory
- **Prescription drugs (+5.3 %)** → higher revenues, due to the increase in revenues of dermatological drugs and drugs for nervous system,
- **Non-prescription programme (+13.6 %)** → higher revenues as a result of the increase in revenues of the OTC drugs subcategory,
- **Other sales (+14.7 %)** → In the Food segment, other sales grew by HRK 55m mainly due to the increase in trade goods sales in the Croatian market. In the Pharmaceuticals segment, other sales grew by HRK 9m, primarily due to higher trade goods sales in the markets of Bosnia and Herzegovina, and Croatia.

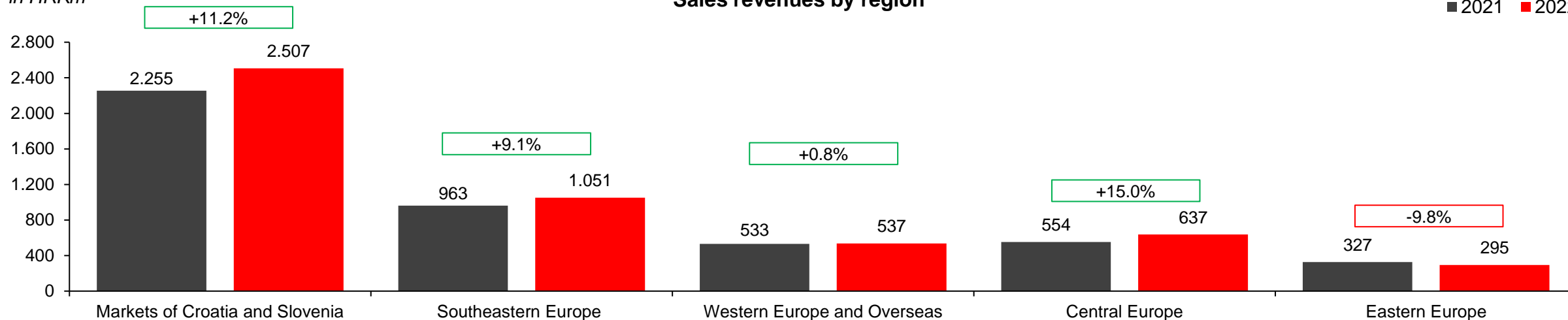
<sup>1</sup>Percentages in the text relate to performance in 1-12 2022 compared to 1-12 2021.

# Sales revenues growth of most regions

in HRK m

Sales revenues by region

■ 2021 ■ 2022



## Region performance in 1 - 12 2022<sup>1</sup>:

- **Markets of Croatia and Slovenia (+11.2 %)** → **Food** revenues 12.6 % higher, due to revenues increase of the business units Bakery and Basic food and trade goods sales increase; **Pharmaceuticals** revenues 5.2 % higher due to higher demand and sales Non-prescription programme and trade goods,
- **Southeastern Europe (+9.1 %)** → **Food** revenues higher 9.1 %, due to revenues increase of almost all business units with the largest absolute growth generated by the business units Soups and Basic food; **Pharmaceuticals** revenues up by 7.7 % due to Prescription drugs and trade goods sales increase and trade goods sales increase,
- **WE and Overseas region (+0.8 %)** → **Food** revenues +0.7 % higher, due to revenues growth of most business units, with the largest absolute growth recorded by business units Culinary and Meat products; **Pharmaceuticals** segment revenues up by HRK 0.4m (+6.8 %) due to an increase in other sales revenues,
- **Central Europe (+15.0 %)** → **Food** revenues up by 15.6 %, as a result of a significant revenues increase of BU Basic food and Culinary; **Pharmaceuticals** revenues up by 11.0 % due to higher revenues of the Prescription drugs category,
- **Eastern Europe (-9.8 %)** → **Food** revenues down by -38.9 %; **Pharmaceuticals** revenues 4.1 % higher

<sup>1</sup>Percentages in the text relate to performance in 1-12 2022 compared to 1-12 2021.

# Normalized Food segment profitability influenced by price increase of raw materials, packaging and energy



Food segment (in HRKm)	REPORTED				NORMALIZED <sup>1</sup>			
	2021	2022	Δ	%	2021	2022	Δ	%
Sales revenue	3,601	3,934	333	9.2%	3,601	3,934	333	9.2%
Gross profit	1,194	1,240	46	3.9%	1,196	1,240	44	3.7%
EBITDA	381	465	83	22.0%	396	386	(10)	(2.6%)
EBIT	221	300	78	35.6%	243	224	(19)	(7.8%)
Net profit after MI	202	240	37	18.4%	195	178	(17)	(8.9%)
Gross margin	33.1%	31.5%		-163 pb	33.2%	31.5%		-169 bp
EBITDA margin	10.6%	11.8%		+123 pb	11.0%	9.8%		-120 bp
EBIT margin	6.1%	7.6%		+148 pb	6.7%	5.7%		-105 bp
Net profit margin after MI	5.6%	6.1%		+47 pb	5.4%	4.5%		-90 bp

## Food segment profitability in 1 - 12 2022:

- **Gross profit** → higher 3.9 % with the gross margin of 31.5 %, as a result of the negative effect of trends in prices of raw materials, packaging and energy where the cost of raw materials, packaging and energy increased by HRK 340m (+24.0 %), primarily related to cereals and mill products, meat and meat products, vegetables, and fats and oils,
- **EBIT** → reported higher 35.6 %, normalized lower 7.8 %. significant negative impact on the operating profit (EBIT) came from: i) an increase in the costs of raw materials, packaging and energy of HRK 340m (+24.0 %), ii) investing in improving the material status of employees, which resulted in an increase in staff costs of HRK 70m (+8.2 %), iii) an increase in transportation costs of HRK 17m (+13.3 %) and iv) the investment cycle, which resulted in an increase in depreciation costs of HRK 9m (+5.6 %),
- **Net profit after MI** → reported higher HRK +37m, normalized lower HRK -17m compared to 1 - 12 2021. In addition to the impact above the EBIT level, net profit was negatively impacted by foreign exchange differences on borrowings (HRK -1.7m in 1 – 12 2022; HRK +1.1m in 1 – 12 2021), while finance costs are lower. The reported tax expense is HRK 39m higher than in 1 – 12 2021, while normalized tax expense is HRK 4m lower.

<sup>1</sup>Normalized for one-off impact.

# Profitability of Pharmaceutical segment as a result of sales revenues increase and higher margins



Pharma segment	REPORTED				NORMALIZED <sup>1</sup>			
(in HRKm)	2021	2022	Δ	%	2021	2022	Δ	%
Sales revenue	1,030	1,093	62	6.0%	1,030	1,093	62	6.0%
Gross profit	485	544	59	12.2%	485	544	59	12.2%
EBITDA	211	242	31	14.9%	212	242	31	14.4%
EBIT	144	171	27	18.7%	147	175	29	19.4%
Net profit after MI	107	130	23	21.7%	109	134	24	22.4%
Gross margin	47.0%	49.8%		+274 pb	47.0%	49.8%		+274 bp
EBITDA margin	20.5%	22.2%		+171 pb	20.5%	22.2%		+162 bp
EBIT margin	14.0%	15.7%		+167 pb	14.3%	16.1%		+180 bp
Net profit margin after MI	10.4%	11.9%		+153 pb	10.6%	12.2%		+163 bp

## Pharmaceuticals segment profitability in 1 - 12 2022:

- **Gross profit** → is higher 12.2 %, with an increase in gross margin from 47.0 % to 49.8 %,
- **EBIT** → is HRK 27m higher, normalized is HRK 29m higher. The most impact on the growth of operating profit (EBIT) came from the growth of gross profit,
- **Net profit after MI** → is HRK 23m higher, normalized is HRK 24m higher. In addition to the impact above the EBIT level, net profit after minority interests was impacted by lower finance costs and higher tax expense.

<sup>1</sup>Normalized for one-off impacts.

# Normalized Group profitability influenced by price increase of raw materials, packaging and energy



Podravka Group	REPORTED				NORMALIZED <sup>1</sup>			
(in HRK m)	2021	2022	Δ	%	2021	2022	Δ	%
Sales revenue	4,632	5,027	395	8.5%	4,632	5,027	395	8.5%
Gross profit	1,678	1,784	106	6.3%	1,680	1,784	103	6.2%
EBITDA	592	707	115	19.5%	608	628	20	3.3%
EBIT	365	471	106	29.0%	390	399	10	2.4%
Net profit after MI	309	370	60	19.5%	304	311	7	2.3%
Gross margin	36.2%	35.5%		-75 bp	36.3%	35.5%		-79 bp
EBITDA margin	12.8%	14.1%		+129 bp	13.1%	12.5%		-63 bp
EBIT margin	7.9%	9.4%		+148 bp	8.4%	7.9%		-47 bp
Net profit margin after MI	6.7%	7.4%		+68 bp	6.6%	6.2%		-38 bp

## Profitability of the Podravka Group in 1 - 12 2022:

- **Gross profit** → higher 6.3 %, while reported gross margin is 35.5 %,
- **EBIT** → reported higher by HRK 106m, normalized higher by HRK 10m. The growth of the normalized operating profit of Pharmaceuticals compensated for the lower normalized operating profit of Food segment,
- **Net profit after MI** → reported is HRK 60m higher, normalized is HRK 7m higher. Growth in normalized net profit after minority interests at the Group level is the result of growth in normalized net profit after minority interests in Pharmaceuticals, which compensated for the lower normalized net profit after minority interests in Food segment.

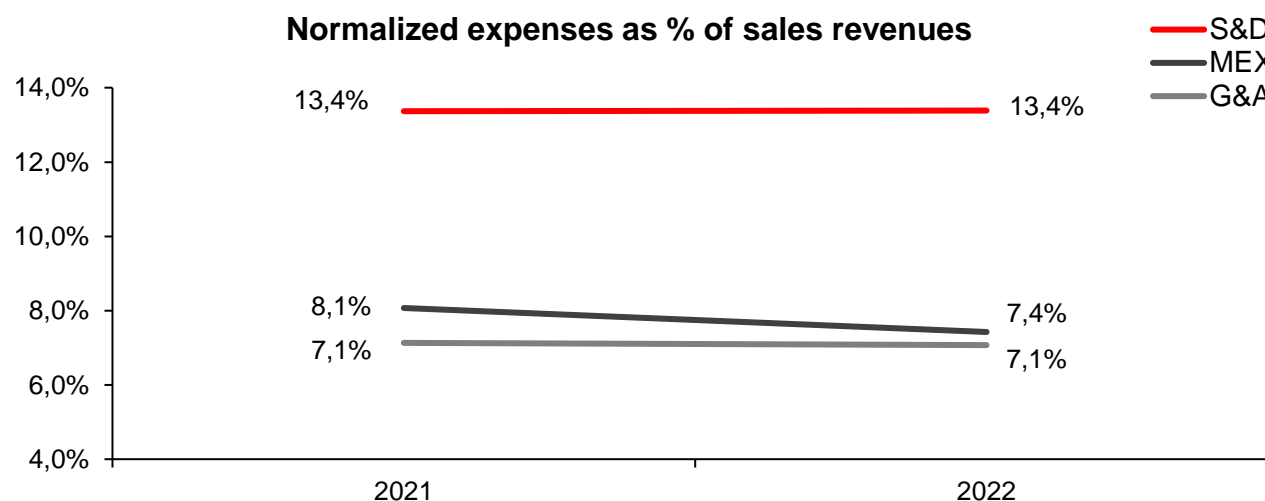
<sup>1</sup>Normalized for one-off impacts.



# Operating expenses influenced by price movements of raw materials, packaging and energy



Operating expenses 1 - 12 22 vs. 1 - 12 21 % change	REPORTED	NORMALIZED <sup>1</sup>
Cost of goods sold (COGS)	9.8 %	9.9 %
General and administrative expenses (G&A)	9.7 %	7.6 %
Sales and distribution costs (S&D)	8.7 %	8.8 %
Marketing expenses (MEX)	(0.1 %)	(0.1 %)
Other expenses / (revenues), net	329.8%	(47.0%)
<b>Total</b>	<b>6.8 %</b>	<b>9.1 %</b>



## Key highlights of operating expenses in 1 - 12 2022:

- **Cost of goods sold (COGS):**
  - Higher 9.8 % due to movements in prices of raw materials, packaging and energy and investments in improving the material status of employees,
- **General and administrative expenses (G&A):**
  - Higher 9.7 % (normalized up by 7.6 %) due to investments in improving the material status of employees and higher costs of services, relative to the comparative period,
- **Sales and distribution costs (S&D):**
  - Higher 8.7 % due to higher costs of transportation and distribution, higher energy costs and investments in improving the material status of employees,
- **Marketing expenses (MEX):**
  - Lower 0,1 % (Food +2.3 %, Pharma -3.2 %),
- **Other expenses (revenues), net:**
  - Amounted to HRK -114m in 2022 (positive effect); HRK -26m in 2021 (positive effect). This was mainly affected by income from sale of non-operating assets which in 2022 amounted to HRK -102m, while last year they amounted to HRK -1.6m. Foreign exchange differences from trade receivables and trade payables in 2022 amounted HRK -8m, while in 2021 they amounted to HRK +14m.

<sup>1</sup>Normalized for one-off impacts.

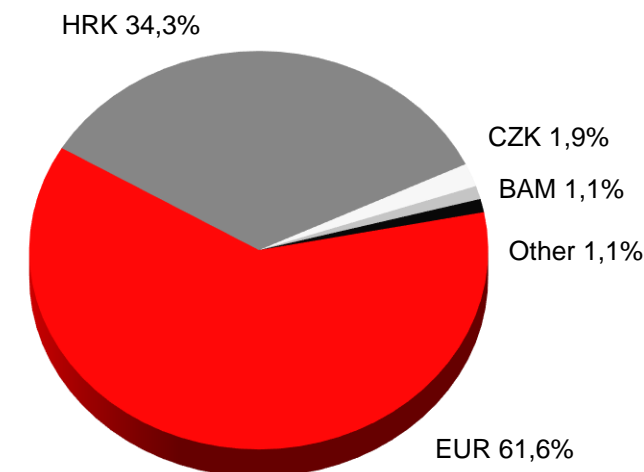


# Continuous improvement of debt indicators



(in HRKm) <sup>1</sup>	2021.	2022	% change
Financial debt <sup>2</sup>	494	633	28.2 %
Cash and cash equivalents	33	165	395.7 %
Net debt	461	468	1.6 %
TTM interest expense	7	5	(20.5 %)
Net debt / TTM EBITDA	0,84	0,79	(6,1 %)
EBIT / Interest expense	29	53	84,4 %
Equity to total assets ratio	75,3 %	71,8 %	-346 pb

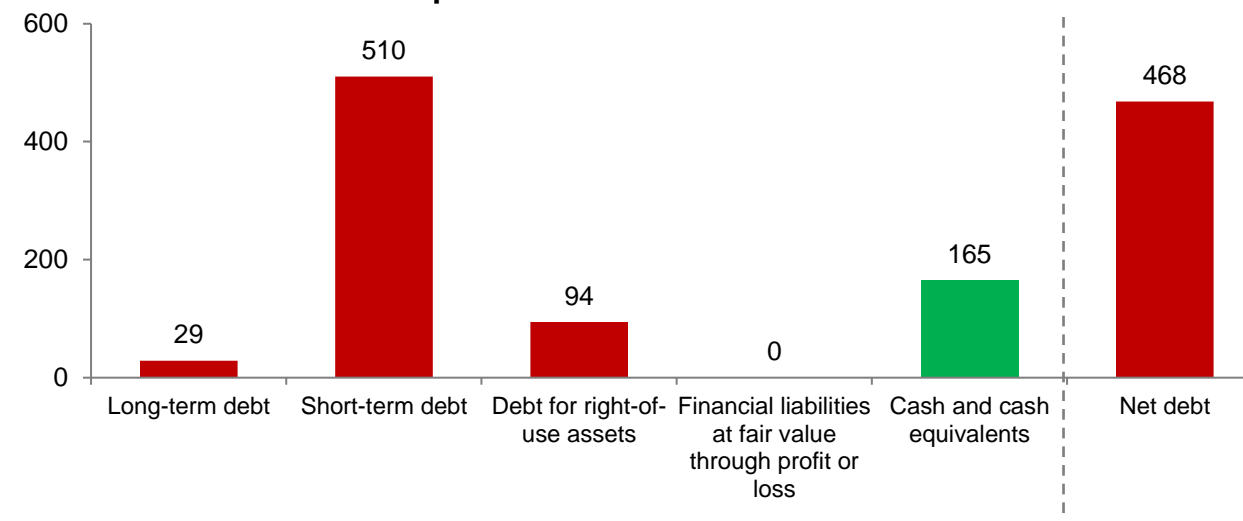
Currency structure of debt as at 31 December 2022



## Key highlights:




- **Financial debt** increase → due to increase in short-term debt,
- **Long-term debt** decrease → due to regular repayments of long-term debt,
- **Short-term debt** increase → due to using more favourable financing terms through short-term credit lines,
- Lower **interest expenses** → continuous decrease,
- **Weighted average cost of debt excluding liabilities for right-of-use assets:**
  - As at 31 December 2022 → 0.66 %,
  - As at 31 December 2021 → 0.93 %.

Net debt components in HRKm as at 31 December 2022



<sup>1</sup>All P&L figures are calculated on the trailing 12 months level, while BS figures are taken at the end of period, <sup>2</sup>long-term and short-term borrowings + lease liabilities + financial liabilities at fair value through P&L.

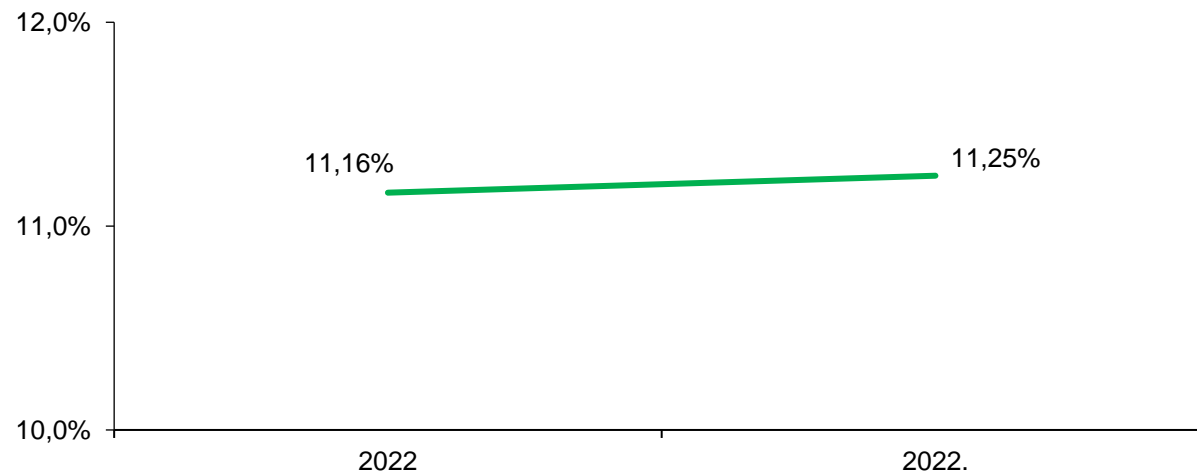
## High level of cash flow from operating activities

Working capital movement in BS	31 Dec 2022 / 31 Dec 2021		Impact
Inventories		34.8 %	<ul style="list-style-type: none"> <li>This movement is primarily the result of the strategic increase in inventories of the Food segment, with the aim of procuring sufficient amount of raw materials to ensure business continuity and control of future expenses of raw materials and packaging, but also of the increase in prices of raw materials and packaging,</li> </ul>
Trade and other receivables		(13.3 %)	<ul style="list-style-type: none"> <li>This movement is a result of lower trade receivables in the Pharmaceuticals segment due to implemented new business terms with customers, which positively affected the collection period,</li> </ul>
Trade and other payables		34.7 %	<ul style="list-style-type: none"> <li>This movement is primarily a result of the increase in trade payables due to procurement of raw materials and packaging, the increase in prices of raw materials and packaging procured in the reporting period, and due to higher level of capital expenditure.</li> </ul>

(in HRKm)	2021	2022	Δ
Net cash from operating activities	517	565	48
Net cash from investing activities	(156)	(434)	(277)
Net cash from financing activities	(379)	(0.1)	379
Net change of cash and cash equivalents	<b>(19)</b>	<b>132</b>	<b>150</b>

- **CAPEX** in 2023 expected CAPEX is at a level of approximately HRK 800m, while in 2024 CAPEX amount to HRK 600m and in 2025 at a level of approximately HRK 350m.

Net cash flow from operating activities as % of sales



# Podravka's share price movement in 1 - 12 2022



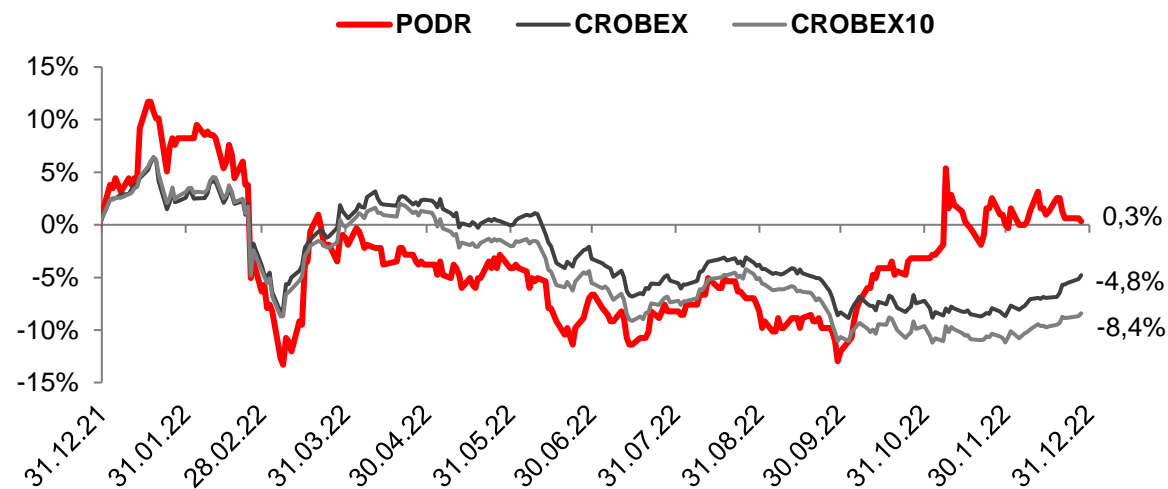
## Market activity with PODR share

(HRK; units)	2021	2022	% change
Average daily price	589.2	613.6	4.1 %
Average daily number of transactions	13	14	6.3 %
Average daily volume	1,488	1,214	(18.4 %)
Average daily turnover	876,747	744,669	(15.1 %)
Reported earnings per share	44.1	52.7	19.4 %
Normalized earnings per share	43.4	44.3	2.2 %

## Analyst coverage

Analysts	Recommendation	Target price	Potential <sup>1</sup>
InterCapital	Hold	HRK 718.00	13.2 %
Raiffeisen BANK	Hold	HRK 633.00	(0.2 %)
ERSTE Group	Reduce	HRK 575.00	(9.3 %)

## PODR share price movement in 1 – 12 2022



## Peer group

Peer group multiples <sup>2</sup>	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	1.9	10.9	16.5	2.1	21.0
Normalized weight. av. peer group <sup>3</sup>	1.4	9.9	17.0	1.6	21.9
Podravka Group reported	1.0	7.1	10.6	1.1	12.0
Podravka Group normalized <sup>4</sup>	1.0	7.9	12.5	1.1	14.3
<b>Peer group food:</b> Atlantic Grupa, Ebro, Hochdorf, La Doria, McCormick, Orkla;					
<b>Peer group pharma:</b> Alkaloid, Richter Gedeon, Hikma Pharmaceuticals, Krka, Recordati, Stada Arzneimittel.					

<sup>1</sup>Compared to the last trading price (HRK 634.0) on 31<sup>st</sup> Dec 2022, <sup>2</sup>Obtained from Bloomberg on 1<sup>st</sup> Mar 2023; <sup>3</sup>Calculated excluding max. and min. values; <sup>4</sup>Normalized for items stated in the publication 1 - 12 2022 results and publication 1 - 12 2021 results.

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## **Podravka Group business results for 1 - 12 2022 period**

