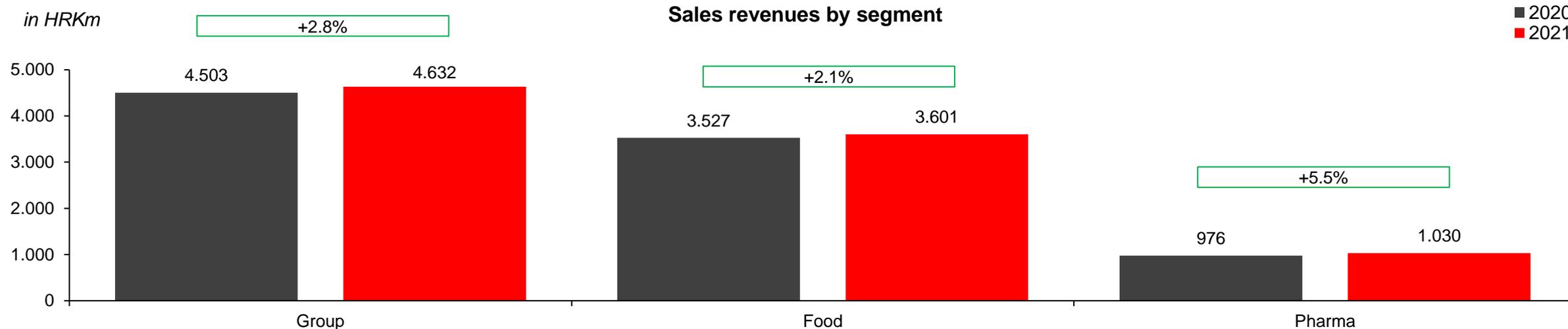




# **Podravka Group business results for 1-12 2021 period**



# Sales increase in both business segments



## Podravka Group in 1-12 2021<sup>1,2</sup>:

- **Own brands** → 2.3% higher sales,
- **Other sales** → 8.4% higher sales,
- **Total Podravka Group** → 2.8% higher sales.

## Food segment in 1-12 2021<sup>1,2</sup>:

- **Own brands** → 1.8% higher sales, sales increase of the BU Culinary, Podravka food and Baby food, sweets and snacks successfully cancelled out lower sales of other business units in the comparative period,
- **Other sales** → 6.8% higher sales, primarily as a result of trade goods sales increase in Croatian market, Benelux and Slovenia,
- **Total Food** → 2.1% higher sales.

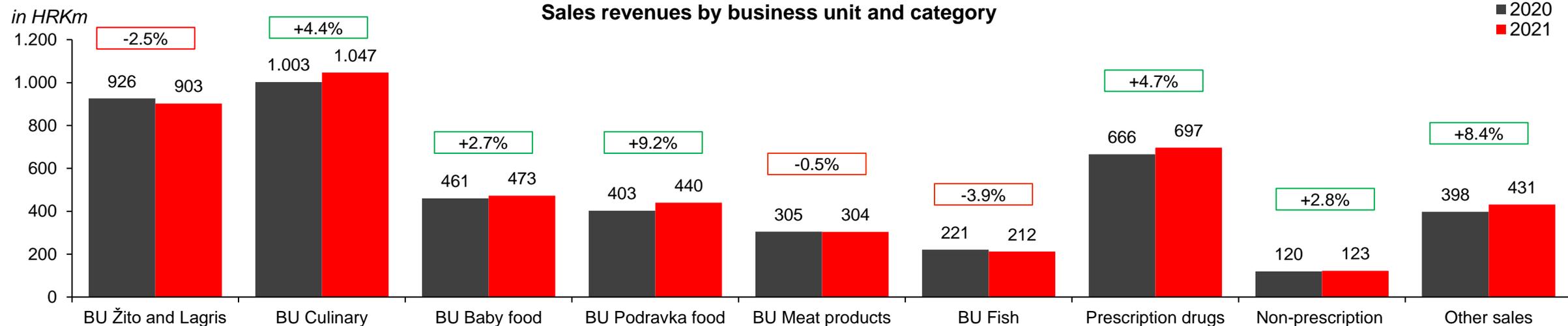
## Pharmaceuticals segment in 1-12 2021<sup>1,2</sup>:

- **Own brands** → 4.4% higher sales, as a result of Prescription drugs sales increase in markets of Russia, Bosnia and Herzegovina and Slovenia,
- **Other sales** → 10.3% higher sales, due to sales increase of trade goods in Bosnia and Herzegovina,
- **Total Pharma** → 5.5% higher sales.

<sup>1</sup>The situation caused by COVID-19 disease positively impacted the sales revenues trends in 2020 when a prominent effect of stockpiling of food and pharmaceutical products by customers was recorded in almost all markets in which the Podravka Group is present. Increased demand in 2020 significantly contributed to sales revenues of both business segments and almost all business units and categories, but this impact could not be clearly distinguished from the impact of regular demand for products. In 2021, the epidemiological situation also had a significant impact in most countries in which the Podravka Group operates, especially in the Adria region (mostly in Croatia), which is different from the one recorded in 2020. Negative impact on sales revenues in the first three months of 2021 comes from the introduced strict epidemiological measures such as lockdown and curfew, reduced store opening hours, restrictions on the number of customers in stores, limited movement of people, closure of the Gastro channel (includes HoReCa customers, institutional customers, industrial customers, etc.), difficult access to health care facilities, reduced number of diagnostic procedures and consequently, lower levels of prescription drugs prescribed. The positive impact on sales revenues in the reporting period comes from the easing of measures which began in May and a significant easing in the third quarter, which gave a boost to the tourist season and the arrival of foreign guests in Croatia. Positive trends continued until the end of 2021 since there was no new lockdown, as was the case in the comparative period. The successful tourist season, easing of epidemiological measures in the countries where the Podravka Group is present with its range, opening of the Gastro channel in Croatia and abroad and the absence of strict epidemiological measures in the fourth quarter positively reflected on the movements of sales revenues, but this effect cannot be clearly estimated or quantified.

<sup>2</sup>Percentages in the text relate to performance in 1-12 2021 compared to 1-12 2020.

# Sales increase of most profitable business units



## Business unit and category performance in 1-12 2021<sup>1</sup>:

- **BU Žito and Lagris (-2.5%)** → lower sales due to lower sales in the categories private labels, Confectionery and Basic Food, primarily in the markets of the Western Europe and Overseas region and the Central Europe region,
- **BU Culinary (+4.4%)** → higher sales due to sales increase of the Universal seasonings and Soups categories. Significant revenue growth was recorded in the Adria region and the Western Europe and Overseas region,
- **BU Baby food, sweets and snacks (+2.7%)** → higher sales, due to sales increase of the category's Creamy spreads, Baby food and Snacks. Sales increase recorded in all regions,
- **BU Podravka food (+9.2%)** → higher sales, due to sales increase of the Flour, Condiments and Vegetables categories. Revenue growth was recorded in most regions, primarily in Adria region,
- **BU Meat products, meals and spreads (-0.5%)** → sales decrease, due to lower sales of Other meat products, Luncheon meat and Pâtés categories. Central Europe region sales increase mitigated the sales decrease of majority of regions,
- **BU Fish (-3.9%)** → lower sales primarily due to sales decrease of the Tuna category in the Adria region,
- **Prescription drugs (+4.7%)** → higher sales due to dermatological drugs sales increase, with the greatest contribution to sales increase by the markets of Russia, Bosnia and Herzegovina and Slovakia,
- **Non-prescription programme (+2.8%)** → higher sales due to herbal products increase in Croatian market,
- **Other sales (+8.4%)** → In the Pharmaceuticals segment, sales up by HRK 20m, primarily due to higher sales of trade goods in the market of Bosnia and Herzegovina; in the Food segment, sales up by HRK 14m mainly due to trade goods sales increase in Croatian market.

<sup>1</sup>Percentages in the text relate to performance in 1-12 2021 compared to 1-12 2020.

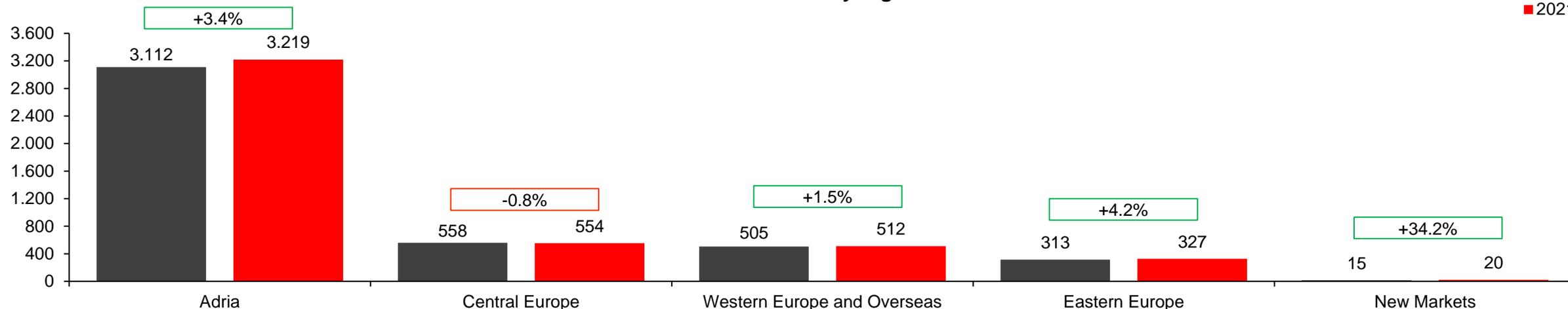
# Sales growth of most regions



in HRKm

Sales revenues by region

■ 2020  
■ 2021



## Region performance in 1-12 2021<sup>1</sup>:

- **Adria (+3.4%)** → **Food** sales 3.0% higher, due to sales increase of BU Culinary and Podravka food; **Pharmaceuticals** sales 5.0% higher due to higher demand and sales of trade goods and Prescription drugs,
- **Central Europe (-0.8%)** → **Food** sales lower 1.7%, where sales increase of BU Podravka Food, BU Meat products, meals and spreads and BU Baby food, sweets and snacks was unable to cancel out lower sales of other BU and trade goods; **Pharmaceuticals** sales up by 6.1% due to higher sales of Prescription and Non-prescription drugs,
- **WE and Overseas region (+1.5%)** → **Food** sales 1.2% higher, due to sales increase of almost all BU with the largest absolute growth generated by BU Culinary, Podravka Food, and Baby food, sweets and snacks; **Pharmaceuticals** segment sales revenues up by HRK 2m (+72.0%) due to Prescription drugs sales increase,
- **Eastern Europe (+4.2%)** → **Food** sales down by 0.5%, due sales decrease in a portion of BU; **Pharmaceuticals** sales up by 6.7% due to sales increase in Prescription drugs,
- **New markets (+34.2%)** → **Food** sales up by HRK 5m (+39.4%) primarily due to sales increase of Universal seasonings and Creamy spreads; **Pharmaceuticals** sales lower HRK 0.1m (-3.4%) due to lower Prescription drugs sales.

<sup>1</sup>Percentages in the text relate to performance in 1-12 2021 compared to 1-12 2020.

# Food segment profitability influenced by cost savings and positive FX differences

Food segment (in HRK <sub>m</sub> )	REPORTED				NORMALIZED <sup>1</sup>			
	2020	2021	Δ	%	2020	2021	Δ	%
Sales revenue	3,527	3,601	74	2.1%	3,527	3,601	74	2.1%
Gross profit	1,191	1,194	3	0.2%	1,191	1,196	5	0.4%
EBITDA	388	381	(7)	(1.8%)	387	396	9	2.3%
EBIT	233	221	(12)	(4.9%)	232	243	11	4.6%
Net profit after MI	182	202	21	11.3%	181	195	14	7.6%
Gross margin	33.8%	33.1%		-63 bp	33.8%	33.2%		-57 bp
EBITDA margin	11.0%	10.6%		-42 bp	11.0%	11.0%		+2 bp
EBIT margin	6.6%	6.1%		-46 bp	6.6%	6.7%		+16 bp
Net profit margin after MI	5.2%	5.6%		+46 bp	5.1%	5.4%		+28 bp

## Food segment profitability in 1-12 2021:

- **Gross profit** → higher 0.2% with the gross margin of 33.1% In the reporting period, negative trends in prices of raw materials and supplies were recorded if compared to 2020. The estimated effect of movements in prices of raw materials and supplies in 2021 amounted to negative HRK 17m<sup>2</sup> (primarily grains and mill products, fats and oils),
- **EBIT** → 4.9% lower, normalized 4.6% higher. Positive effect came from cost savings (marketing expenses) and favourable movements in FX differences on trade receivables and trade payables (HRK +4m in 1 – 12 2021; HRK -10m in 1 – 12 2020),
- **Net profit after MI** → higher HRK 21m, while normalized is HRK 14m higher compared to 1-12 2020. Bottom line was positively impacted by FX differences on borrowings (HRK +1m in 1 – 12 2021; HRK -3m in 1 – 12 2020) and lower finance costs. Tax cost is HRK 26m lower due to deferred tax effect.

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

<sup>2</sup>Obtained as used volumes of raw materials and supplies in 1-12 2021\*prices in 1-12 2021 – used volumes of raw materials and supplies in 1-12 2021\*prices in 1-12 2020.

# Profitability improvement in Pharmaceutical segment

Pharma segment (in HRK <sub>m</sub> )	REPORTED				NORMALIZED <sup>1</sup>			
	2020	2021	Δ	%	2020	2021	Δ	%
Sales revenue	976	1,030	54	5.5%	976	1,030	54	5.5%
Gross profit	468	485	16	3.5%	466	485	19	4.1%
EBITDA	159	211	52	32.9%	156	212	56	35.8%
EBIT	100	144	44	44.6%	93	147	54	58.2%
Net profit after MI	67	107	40	59.2%	63	109	46	72.5%
Gross margin	48.0%	47.0%		-94 bp	47.7%	47.0%		-65 bp
EBITDA margin	16.2%	20.5%		+421 bp	16.0%	20.5%		+458 bp
EBIT margin	10.2%	14.0%		+378 bp	9.5%	14.3%		+475 bp
Net profit margin after MI	6.9%	10.4%		+350 bp	6.5%	10.6%		+411 bp

## Pharmaceuticals segment profitability in 1-12 2021:

- **Gross profit** → reported is higher 3.5% while normalized is 4.1% higher. The gross margin is 47.0%, which is lower than in the comparative period, due to the increase in portion of trade goods in sales revenues,
- **EBIT** → reported HRK 44m higher, while normalized is up by HRK 54m as a result of positive movement of FX differences on trade receivables and trade payables (HRK +10m in 1 – 12 2021; HRK -36m in 1 – 12 2020),
- **Net profit after MI** → reported is HRK 40m higher, while normalized is HRK 46m higher. Bottom line was affected by favorable movements in FX differences on borrowings (HRK +0m in 1-12 2021; HRK -1m in 1-12 2020) and lower finance costs. Tax cost is higher by HRK 9m.

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

## Group profitability influenced by positive FX differences

Podravka Group (in HRK <sub>m</sub> )	REPORTED				NORMALIZED <sup>1</sup>			
	2020	2021	Δ	%	2020	2021	Δ	%
Sales revenue	4,503	4,632	128	2.8%	4,503	4,632	128	2.8%
Gross profit	1,659	1,678	19	1.1%	1,657	1,680	24	1.4%
EBITDA	547	592	45	8.3%	543	608	65	11.9%
EBIT	332	365	33	9.9%	325	390	65	19.9%
Net profit after MI	249	309	60	24.2%	244	304	60	24.4%
Gross margin	36.8%	36.2%		-62 bp	36.8%	36.3%		-51 bp
EBITDA margin	12.1%	12.8%		+64 bp	12.1%	13.1%		+106 bp
EBIT margin	7.4%	7.9%		+51 bp	7.2%	8.4%		+120 bp
Net profit margin after MI	5.5%	6.7%		+115 bp	5.4%	6.6%		+114 bp

### Profitability of the Podravka Group in 1-12 2021:

- **Gross profit** → reported is higher 1.1%, while normalized is up by 1.4%. Cost of goods sold are up by 3.9%, while reported gross margin is 36.2%,
- **EBIT** → reported is HRK 33m higher, while normalized grew by HRK 65m. EBIT was positively affected by lower marketing costs and favorable movements in FX differences on trade receivables and trade payables (HRK +13m in 1 – 12 2021; HRK -46m in 1 – 12 2020),
- **Net profit after MI** → reported is HRK 60m higher, while normalized is HRK 60m higher. Bottom line was impacted by favorable movements in FX differences on borrowings (HRK +1m in 1-12 2021; HRK -4m in 1-12 2020) and lower finance costs. Tax cost is HRK 16m lower due to the effects of deferred tax in the Food segment.

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

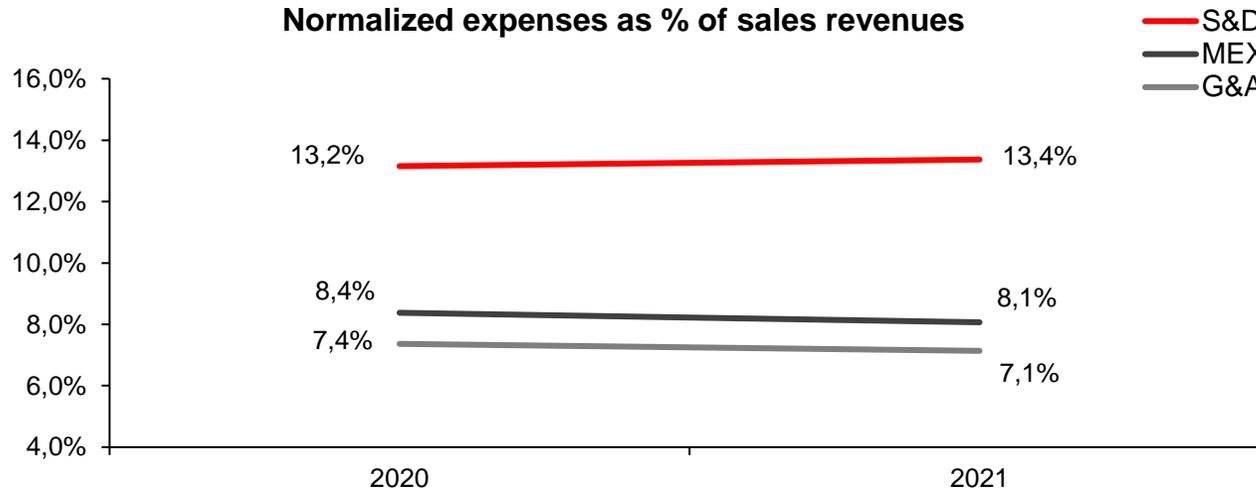
# Operating expenses increase mitigated by positive FX differences

Operating expenses 1-12 21 vs. 1-12 20 % change	REPORTED	NORMALIZED <sup>1</sup>
Cost of goods sold (COGS)	3,9%	3,7%
General and administrative expenses (G&A)	3,0%	(0,4%)
Sales and distribution costs (S&D)	4,5%	4,5%
Marketing expenses (MEX)	(1,0%)	(1,0%)
Other expenses / revenues, net	(225,0%)	(209,8%)
<b>Total</b>	<b>2,3%</b>	<b>1,5%</b>

## Key highlights of operating expenses in 1-12 2021:

- Cost of goods sold (COGS):**
  - Higher 3.9% (normalized up by 3.7%) higher level of sales realized, the structure of sales, improved material rights of employees and movements in prices of raw materials and supplies (estimated negative impact in the Food segment of HRK 17m),
- General and administrative expenses (G&A):**
  - Higher 3.0% (normalized down by 0.4%) following the improved material rights of employees and other expenses relative to 2020,
- Sales and distribution costs (S&D):**
  - Higher 4.5% (normalized up by 4.5%) due of improving material rights of employees, higher costs of transportation services and other expenses,
- Marketing expenses (MEX):**
  - Lower 1.0% (Food -3.6%, Pharma +2.8%),
- Other expenses (revenues), net:**
  - Amounted to HRK -27m in 1-12 2021 (positive effect); HRK +21m in 1-12 2020 (negative effect), mainly due to positive movements in FX differences on trade receivables and trade payables (HRK +13m in 1-12 2021; HRK -46m in 1-12 2020).

Normalized expenses as % of sales revenues

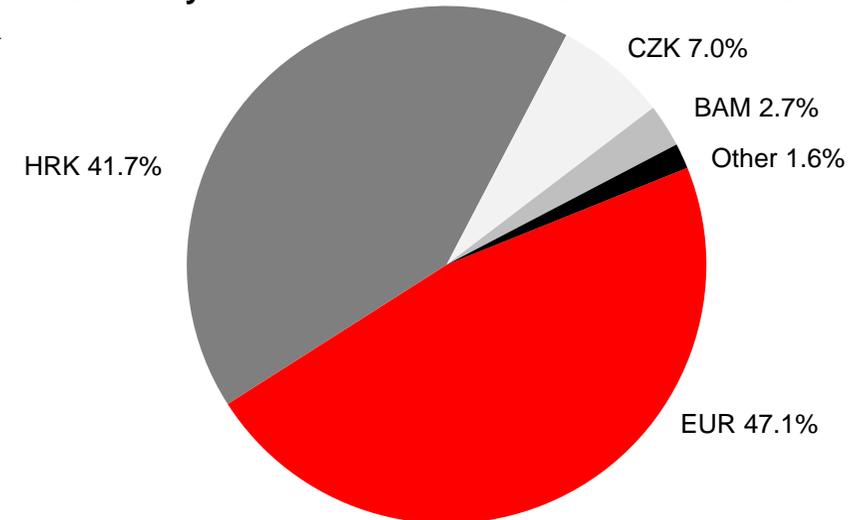


<sup>1</sup>Normalized for one-off impacts.

# Significant decline of indebtedness and improvement of debt indicators

(in HRK <sup>m</sup> ) <sup>1</sup>	2020	2021	% change
Financial debt <sup>2</sup>	785	494	(37.1%)
Cash and cash equivalents	52	33	(35.8%)
Net debt	733	461	(37.2%)
TTM interest expense	12	7	(40.4%)
Net debt / TTM EBITDA	1.4	0.8	(43.9%)
EBITDA / Interest expense	28	57	101.3%
Equity to total assets ratio	69,4%	75,3%	+592 bp

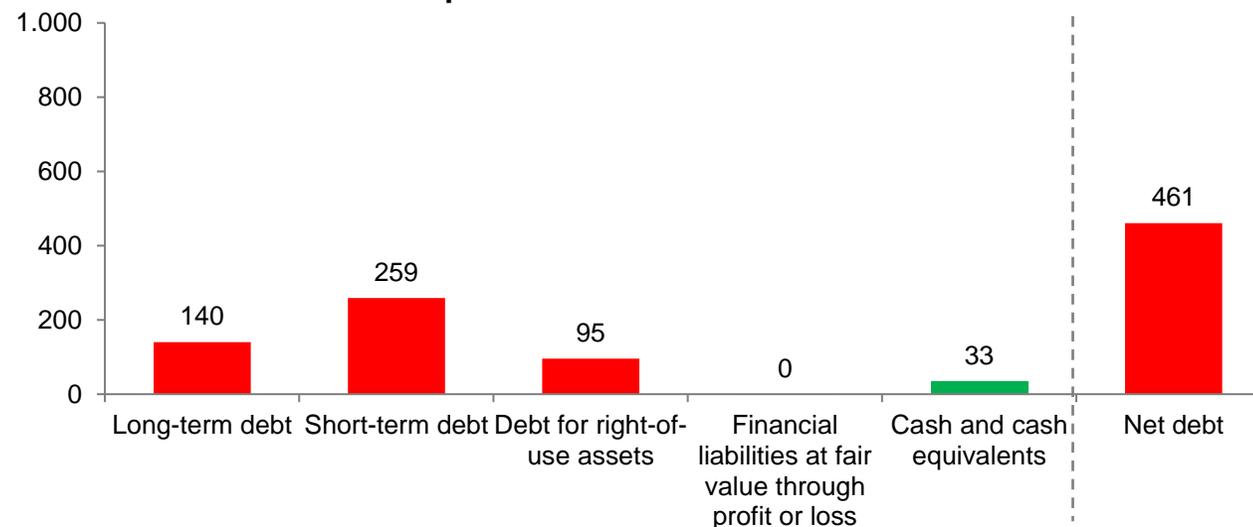
Currency structure of debt as at 31 December 2021



## Key highlights:

- **Financial debt** decrease → due to all debt components decrease,
- **Long-term debt** decrease → due to regular repayments of long-term debt,
- **Short-term debt** increase → due to regular repayments of short-term debt,
- Lower **interest expenses** → refinancing of borrowings under more favorable commercial terms with a continuous decrease in the total borrowings,
- **Weighted average cost of debt excluding liabilities for right-of-use assets:**
  - As at 31 December 2021 → 0.9%,
  - As at 31 December 2016 → 2.5%.

Net debt components in HRK<sup>m</sup> as at 31 December 2021



<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 + liabilities for right-of-use assets + financial liabilities at fair value through P&L.

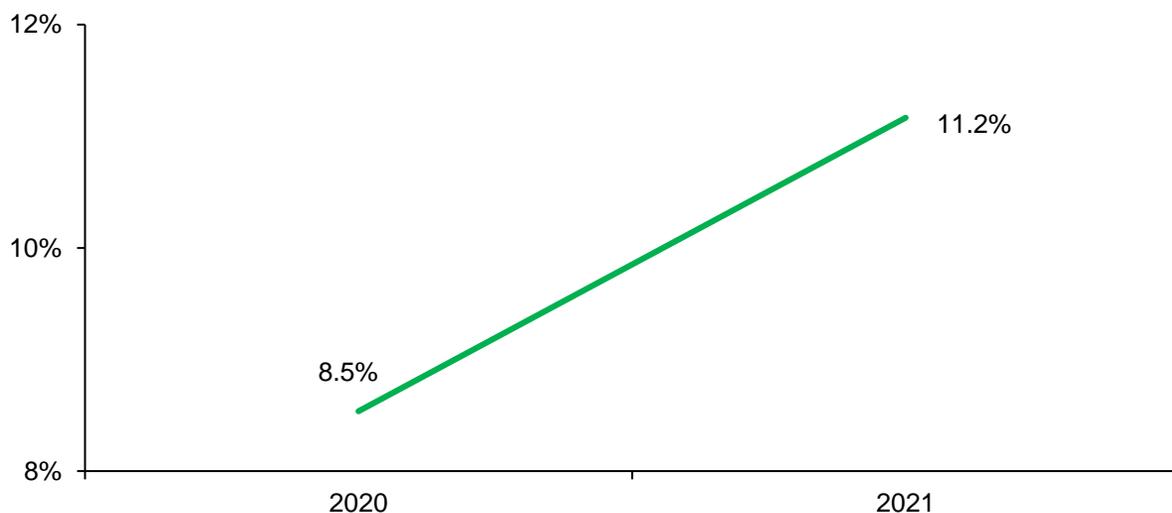
# High level of cash flow from operating activities

Working capital movement in BS	31 Dec 2021 / 31 Dec 2020		Impact
Inventories		(4.8%)	<ul style="list-style-type: none"> <li>This movement is primarily the result of the decrease in inventories in both business segments in the reporting period,</li> </ul>
Trade and other receivables		5.5%	<ul style="list-style-type: none"> <li>This movement is in line with the regular operations of both segments in the reporting period,</li> </ul>
Trade and other payables		(4.3%)	<ul style="list-style-type: none"> <li>This movement is mostly in line with the regular operations of both segments in the reporting period.</li> </ul>

(in HRKm)	2020	2021	Δ
Net cash from operating activities	385	517	133
Net cash from investing activities	(187)	(156)	31
Net cash from financing activities	(201)	(379)	(178)
Net change of cash and cash equivalents	<b>(4)</b>	<b>(19)</b>	<b>(15)</b>

• **CAPEX** in 2022 is expected to be at the level of HRK 500m, in 2023 is expected to be at the level of HRK 500m and in 2024-2024 period is expected to be at the level of HRK 250m.

Net cash flow from operating activities as % of sales



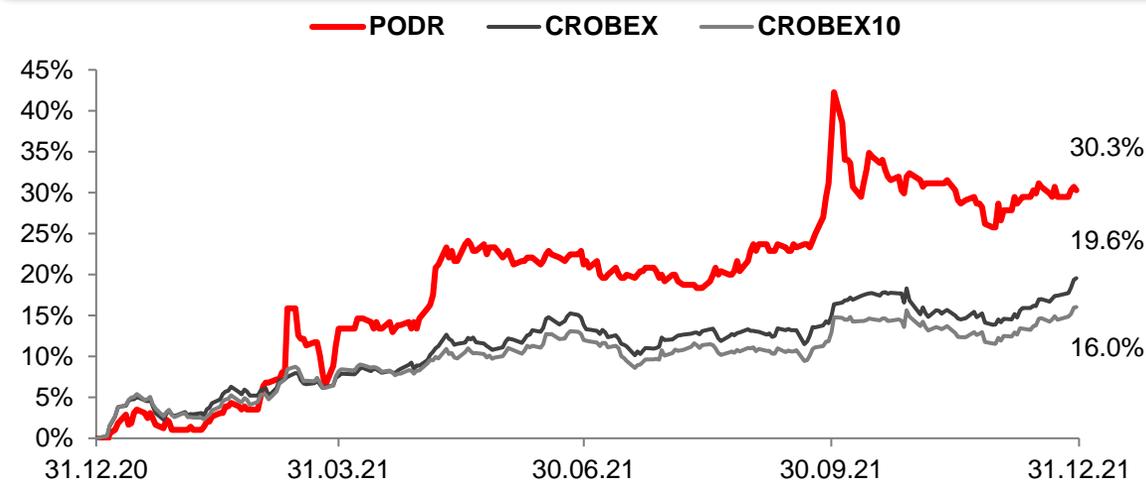
# Podravka's share price movement in 1-12 2021



## Market activity with PODR share

(HRK; units)	2020	2021	% change
Average daily price	413.3	589.2	42.6%
Average daily number of transactions	14	13	(0.5%)
Average daily volume	1,277	1,488	16.5%
Average daily turnover	527,878	876,747	66.1%
Reported earnings per share	36	44	23.9%
Normalized earnings per share	35	43	24.1%

## PODR share price movement in 1-12 2021



## Analyst coverage

Analysts	Recommendation	Target price	Potential <sup>1</sup>
InterCapital	Buy	HRK 718.00	(13.6%)
Raiffeisen BANK	Hold	HRK 603.00	(4.6%)
ERSTE Group	Hold	HRK 595.00	(5.9%)

## Peer group

Peer group multiples <sup>2</sup>	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.1	19.2	14.5	2.5	17.3
Normalized weight. av. peer group <sup>3</sup>	1.6	11.7	12.8	1.9	16.7
Podravka Group reported	1.1	8.4	13.6	1.2	14.4
Podravka Group normalized <sup>4</sup>	1.1	8.2	12.8	1.2	14.7

**Peer group food:** Atlantic Grupa, Ebro, Hochdorf, La Doria, McCormick, Orkla;

**Peer group pharma:** Alkaloid, Richter Gedeon, Hikma Pharmaceuticals, Krka, Recordati, Stada Arzneimittel.

<sup>1</sup>Compared to the last trading price (HRK 632.0) on 31<sup>st</sup> Dec 2021, <sup>2</sup>Obtained from Bloomberg on 28<sup>th</sup> Feb 2022; <sup>3</sup>Calculated excluding max. and min. values; <sup>4</sup>Normalized for items stated in the publication 1-12 2021 results and publication 1-12 2020 results.

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# **Podravka Group business results for 1-12 2021 period**

