

## Media release

*Ad hoc announcement pursuant to Art. 53 LR*

# Emmi grows in line with strategic priorities with slightly lower profitability

Lucerne, 18 August 2022 – The Emmi Group increased its half-year sales by 7.1% to CHF 2,016.5 million in a persistently challenging environment, confirming that it is on the right strategic course. The main contributors to the broad-based organic growth of 5.4% were the international business, differentiated brand concepts such as Emmi Caffè Latte and innovative desserts, as well as the recovery in the food service sector. Emmi also made progress with its portfolio transformation, for example with the integration of the Athenos business in the USA, and in its commitment to sustainable dairy with the launch of the “KlimaStaR Milch” resource project. Due to the delayed effect of input cost-related sales price increases, total sales grew stronger than the operating result, with EBIT of CHF 108.6 million and net profit of CHF 78.1 million. For the full-year, Emmi anticipates slightly higher organic growth of 5% to 6% driven by inflation and a slightly lower result. The medium-term forecast remains unchanged.

- Broad-based sales growth of 7.1%, exceeding own expectations: organic 5.4%, acquisition effect 2.3% and currency effect -0.6%
- Strong organic, price-driven growth in the divisions Americas (11.8%) and Europe (6.5%) – stable performance in the Swiss home market (0.8%)
- Sustained momentum in brand concepts such as Emmi Caffè Latte and strategic niches such as Italian speciality desserts
- Further progress in portfolio transformation with the integration of the Athenos business (USA) and the sale of the Ambrosi stake (ITA, July 2022)
- Massively higher purchasing and logistics costs dampen gross profit margin of 35.1%
- EBIT of CHF 108.6 million with EBIT margin of 5.4%; Net profit of CHF 78.1 million with net profit margin of 3.9%
- Adjusted full-year guidance with organic growth of 5% to 6% (previously 2.5% to 3.5%), EBIT of CHF 265 million to 280 million (previously CHF 290 million to 305 million) and a net profit margin of 4.5% to 5.0% (previously 5.0% to 5.5%)

"The strong, broad-based growth in an increasingly challenging environment confirms our strategic focus on a diversified country and product portfolio as well as the targeted expansion of profitable niches," says Urs Riedener, CEO of the Emmi Group.

"With differentiated brand concepts and a range of innovations, we again succeeded in getting people excited about our brands and products. Our locally anchored organisation has also taken targeted action to counter skyrocketing purchasing costs and ongoing supply chains disruptions, and the sales price increases we have introduced are starting having an impact. I am confident that

we will be able to achieve our revised full-year targets thanks to the commitment of our more than 9,000 employees, our clear strategic direction as well as operational efficiency and further responsible price adjustments. In addition, we will continue to invest in the sustainable design of our products and processes in the conviction that only a concerted approach can mitigate the negative effects of climate change. This remains an integral part of Emmi's strategy and strengthens our ability to create the best dairy moments and shared value over the long term."

### Key figures

in CHF million	1HY 2022	1HY 2021
<b>Net sales</b>	<b>2,016</b>	<b>1,884</b>
of which division Switzerland	808	802
of which division Americas	798	668
of which division Europe	348	352
of which division Global Trade	62	62
<b>Change in sales in %</b>	<b>7.1</b>	<b>6.2</b>
of which organic growth in %	5.4	3.7
of which acquisition effect in %	2.3	3.2
of which currency effect in %	-0.6	-0.7
<b>EBIT</b>	<b>108.6</b>	<b>129.4</b>
as % of net sales	5.4	6.9
<b>Net profit</b>	<b>78.1</b>	<b>98.7</b>
as % of net sales	3.9	5.2

The overall positive acquisition effect of 2.3% is attributable to the acquisition of the Athenos business (USA, 1 December 2021). Internal shifts in the distribution channels of certain customers also resulted in acquisition or divestment effects in the divisions Europe and Global Trade. However, these shifts between individual divisions had no impact on the Group.

In an environment characterised by ongoing challenges and massively higher input, logistics and energy costs, the Emmi Group's half-year sales exceeded its own expectations and topped two billion for the first time at CHF 2,016.5 million. The drivers of the high organic growth of 5.4% are primarily the international business and growth markets such as Brazil, Mexico and Tunisia; but also the USA and Spain, the ongoing dynamic of brand concepts such as Emmi Caffè Latte and innovative Italian speciality desserts, and the incipient recovery in the food service and industrial customer business. Emmi Caffè Latte again posted significant growth in all European markets, reflecting its successful focus on differentiated brand concepts and profitable niches.

## Progress in portfolio transformation and sustainability

With the successful integration of the Athenos business, the leading US Feta brand acquired in December 2021, Emmi again made further progress in developing its product portfolio in the specialty cheese segment. Work is also progressing well to strengthen the strategic niche with Italian speciality desserts and integrate Emmi Dessert USA into Emmi's Italian dessert network. In addition, Emmi announced the sale of its stake in Italian cheese specialist Ambrosi SpA in Italy in July this year.

As part of its sustainability model, Emmi has further intensified its commitment to making the value chain more sustainable in order to mitigate the negative effects of climate change, which also affect the dairy industry. In collaboration with farmers, milk producer organisations and Nestlé, as well as scientific partners, Emmi co-initiated the cross-industry initiative "KlimaStaR Milk". Around 250 farms in Switzerland are participating in the pilot project, which aims to achieve a 20 percent reduction in greenhouse gas emissions and competition for food and land.

Emmi also made further progress with the switch to renewable energy, which is geared towards a netZERO 2050 reduction path. As a result, it was possible to switch to climate-neutral production at the Studer cheese dairy site and at the Mexideli subsidiary. With the commissioning of a biomass heating system in Chile, heat pumps at Pasticceria Quadrifoglio in Italy, and the resource-efficient new cheese factory in Emmen, further milestones are on the horizon.

## Sales performance: High organic growth in international business

### Division Switzerland

in CHF million	Sales 1HY 2022	Sales 1HY 2021	Difference 2022/2021	Acquisition effect	Currency effect	Organic growth
Dairy products	323.0	330.2	-2.2%	0.0%	0.0%	-2.2%
Cheese	182.2	189.2	-3.7%	0.0%	0.0%	-3.7%
Fresh products	177.0	172.4	2.7%	0.0%	0.0%	2.7%
Fresh cheese	52.1	53.0	-1.8%	0.0%	0.0%	-1.8%
Powder/concentrates	38.3	26.8	42.9%	0.0%	0.0%	42.9%
Other products/services	35.5	30.2	17.5%	0.0%	0.0%	17.5%
<b>Total</b>	<b>808.1</b>	<b>801.8</b>	<b>0.8%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.8%</b>

The division Switzerland achieved net sales of CHF 808.1 million, representing organic growth of 0.8% compared to the previous year's figure of CHF 801.8 million. Strong brand concepts such as Emmi Caffè Latte made a consistently pleasing contribution. In addition to positive price effects, the incipient recovery of the food service and industrial customer business following coronavirus-related losses in previous years also contributed to the stable business performance. However, due to the normalisation of purchasing volumes and the resurgence of shopping tourism compared with previous years, which were dominated by the pandemic, the retail business recorded a decline as expected. While this normalisation led to a downturn in the cheese segment, sales volumes of milk powder to industrial customers increased. Overall, sales in the retail business were also

negatively impacted by the persistently high pressure from imports, which was further intensified by the weakening euro. The division Switzerland accounted for 40.1% (42.5%\*) of Group sales.

### Division Americas

in CHF million	Sales 1HY 2022	Sales 1HY 2021	Difference 2022/2021	Acquisition effect	Currency effect	Organic growth
Cheese	307.1	249.1	23.3%	17.5%	3.4%	2.4%
Dairy products	212.3	188.5	12.6%	0.0%	-2.5%	15.1%
Fresh products	159.0	140.2	13.4%	0.0%	-0.5%	13.9%
Fresh cheese	47.1	32.9	43.3%	0.0%	10.9%	32.4%
Powder/concentrates	19.0	12.5	52.2%	0.0%	13.0%	39.2%
Other products/services	54.1	44.8	20.5%	0.7%	-0.6%	20.4%
<b>Total</b>	<b>798.6</b>	<b>668.0</b>	<b>19.6%</b>	<b>6.6%</b>	<b>1.2%</b>	<b>11.8%</b>

The division Americas includes the Emmi Group companies in the US, Brazil, Spain, Tunisia, Chile, Mexico and Canada. The companies in France have been part of the division Europe since 1 January 2022 (previously division Americas).<sup>1</sup>

Sales in the division Americas rose from CHF 668.0 million to CHF 798.6 million in the first half of 2022. The total growth of 19.6% is attributable to the high, price-influenced organic growth of 11.8% and the integration of the Athenos business with feta specialties in the USA. The double-digit organic growth was strongly influenced by positive price effects as a direct consequence of high input cost increases and inflationary developments, particularly in Brazil, Mexico, Tunisia, Spain and the USA. The division Americas accounted for 39.6% of Group sales (35.5%\*).

### Division Europe

in CHF million	Sales 1HY 2022	Sales 1HY 2021	Difference 2022/2021	Acquisition effect	Currency effect	Organic growth
Fresh products	178.7	171.3	4.3%	0.0%	-5.7%	10.0%
Cheese	59.5	78.5	-24.3%	-8.4%	-4.5%	-11.4%
Dairy products	50.5	46.4	8.7%	0.0%	-6.6%	15.3%
Fresh cheese	21.3	18.2	17.6%	0.0%	-7.2%	24.8%
Powder/concentrates	19.6	19.8	-0.9%	0.0%	-6.0%	5.1%
Other products/services	18.5	17.7	5.1%	0.0%	-6.7%	11.8%
<b>Total</b>	<b>348.1</b>	<b>351.9</b>	<b>-1.1%</b>	<b>-1.9%</b>	<b>-5.7%</b>	<b>6.5%</b>

The division Europe incorporates the Emmi Group companies in Germany, Italy, the Netherlands, France, the UK and Austria. The companies in France have been part of division Europe since 1 January 2022 (previously division Americas).<sup>1</sup>

<sup>1</sup>For better comparability, the prior-year figures have been adjusted accordingly.

In the first half of 2022, sales in the division Europe amounted to CHF 348.1 million, decreasing by 1.1% compared to CHF 351.9 million in the prior-year period due to negative acquisition and currency effects. Organic growth was 6.5%, driven by price effects as well as the innovative strength of the Italian dessert companies and the continued positive development of Emmi Caffè Latte in all European markets. On the other hand, the normalisation of cheese sales compared with the high comparative figures influenced by the pandemic, particularly in the 'over the counter' segment, coupled the slowdown in demand fuelled by prices and exchange rates had a negative effect. The division Europe accounted for 17.3% (18.7%\*) of Group sales.

### Division Global Trade

in CHF million	Sales 1HY 2022	Sales 1HY 2021	Difference 2022/2021	Acquisition effect	Currency effect	Organic growth
Cheese	30.3	25.4	19.5%	26.0%	0.0%	-6.5%
Fresh products	18.2	17.7	2.8%	0.0%	0.0%	2.8%
Powder/concentrates	11.9	16.8	-29.1%	0.0%	0.0%	-29.1%
Dairy products	0.8	1.3	-42.1%	0.0%	0.0%	-42.1%
Other products/services	0.5	0.7	-27.8%	0.0%	0.0%	-27.8%
<b>Total</b>	<b>61.7</b>	<b>61.9</b>	<b>-0.4%</b>	<b>10.6%</b>	<b>0.0%</b>	<b>-11.0%</b>

The division Global Trade primarily comprises direct sales and exports of surpluses from Switzerland to customers in countries where Emmi has no subsidiaries. These include the Asian and eastern European markets, most South American countries and the Arabian Peninsula.

Sales in the division Global Trade amounted to CHF 61.7 million in the first half of 2022. Compared to CHF 61.9 million in the same period of the previous year, this represents an organic decline of 11.0%. In addition to the discontinuation of deliveries to Russia, the anticipated normalisation of high relief exports due to the pandemic, especially of skim milk powder, fuelled the losses in this area. By contrast, the Fresh Products segment developed positively, with growing sales of yogurt in the Asian region. The division Global Trade accounted for 3.0% (3.3%\*) of Group sales.

More information on sales performance can be found in the [Emmi half-year report 2022](#).

### **Significantly higher purchasing, logistics and energy costs dampen profitability**

Due to the delayed effect of input cost-related sales price increases, overall sales grew stronger than operating profit. While gross profit increased slightly in absolute terms to CHF 707.4 million (CHF 699.8 million\*), these strongly negative effects resulted in a lower gross profit margin of 35.1% (37.2%\*). The main influencing factors are the massively higher raw material and material costs, which were additionally intensified by the war in Ukraine and the coronavirus-related disruption of global supply chains. Sales price adjustments and the ongoing portfolio transformation, as well as the intensification of efficiency and cost-saving programmes, went a long way to containing these massive cost-driving effects.

Operating expenses, which climbed by CHF 30.5 million to CHF 545.8 million (CHF 515.3 million\*), also reflected the strong cost increases (mainly logistics and energy costs). Although these were offset by in relation to sales lower personnel, marketing and sales-related expenses, meaning that operating expenses actually decreased slightly.

This only partially softened the dent to the gross profit margin. Accordingly, earnings before interest and taxes (EBIT) of CHF 108.6 million are CHF 20.8 million lower than in the same period of the previous year, with an EBIT margin of 5.4% (6.9%\*).

Net profit including minority interests amounts to CHF 81.0 million, compared to CHF 107.1 million in the same period of the previous year. After deducting minority interests, this results in a net profit of CHF 78.1 million (CHF 98.7 million\*) and a net profit margin of 3.9% (5.2%\*).

More information on profit performance can be found in the [Emmi half-year report 2022](#).

### **Uncertain outlook, expected stabilisation in margins**

There is no foreseeable brightening in the gloomy economic and geopolitical conditions characterised by inflation, massively higher input, logistics and energy costs, as well as the war in Ukraine and the resulting pressure on margins. Added to this are rising risks of a wage-price spiral and potentially unfavourable developments in interest rates, exchange rates and the further course of the pandemic. The greatest uncertainty factor is the supply of gas and electricity.

The sales price increases will continue to have an impact in the second half of 2022, but will not fully compensate for the declines recorded in the first half of 2022, also due to the uncertain consumer demand in the overall economic context. Thanks to the consistent and disciplined implementation of its strategic priorities with a focus on differentiated brand concepts, the development of profitable niches and the acceleration of its ongoing excellence and efficiency programmes, Emmi believes it is on course to counteract these strongly negative effects, which will continue to persist in the second half of 2022.

Emmi remains well positioned strategically and is sticking to its medium-term forecast. For the full-year 2022, Emmi expects organic growth at Group level of 5% to 6% (previously 2.5% to 3.5%), driven by higher input costs and inflation. In a market for dairy products that remains competitive and is subject to high import and price pressure, including consumer tourism – exacerbated, in turn, by the weak euro – Emmi forecasts stable to slightly positive organic sales growth of between 0.5% and 1.5% (previously -1% and 0%) for the division Switzerland. In the international business, dynamic development is expected to continue, with organic growth in the division Americas of 10% to 12% (previously 6% to 8%) and in the division Europe of 6% to 8% (previously 3% to 5%).

At EBIT level, Emmi expects a slightly lower result of CHF 265 million to 280 million (previously CHF 290 million to 305 million) and a net profit margin of 4.5% to 5.0% (previously 5.0% to 5.5%) due to the prevailing adverse conditions and persistently high input costs, some of which will continue to rise.

### Forecasts for financial year 2022

Organic sales performance:	
Group	5% to 6% (previously 2.5% to 3.5%)
Division Switzerland	0.5% to 1.5% (previously -1% to 0%)
Division Americas	10% to 12% (previously 6% to 8%)
Division Europe	6% to 8% (previously 3% to 5%)
EBIT	CHF 265 million to CHF 280 million (previously CHF 290 million to 305 million)
Net profit margin	4.5% to 5.0% (previously 5.0% to 5.5%)

More information on the outlook can be found in the [presentation on Emmi's half-year results 2022](#).

## Downloads and further information

- [Emmi half-year report 2022](#)
- [Alternative performance measures](#)
- [Presentation on Emmi half-year results 2022](#)
- [General images relating to Emmi](#)

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## About Emmi

Emmi is the leading manufacturer of high-quality dairy products in Switzerland. The roots of the company date back to 1907, when it was founded by dairy farmer cooperatives in the Lucerne region. With its focused strategy, innovative products and brand concepts established in Switzerland and beyond, such as Emmi Caffè Latte and Kaltbach cheese, Emmi has grown into an internationally active, listed group (EMMN) with a strong local presence in 15 countries.

Emmi's business model is traditionally based on a careful approach to nature, animals and people. In this way, Emmi creates the best dairy moments, today and for generations to come, while also contributing to value creation in rural regions. The company distributes its quality products in around 60 countries and manufactures these at over 30 of its own production sites in nine countries. With more than 9,000 employees, around 70% of whom work outside Switzerland, the Emmi Group generated sales of CHF 3.9 billion in 2021.