Press release
2023 annual figures

Sligro Food Group N.V.

In what was a turbulent year, we managed to increase our market share in both the Netherlands and Belgium. Operating performance improved, as a result of which EBITDA rose by €11 million to €137 million. Net profit for the financial year was negatively impacted by non-recurring expenses and amounted to €6 million for 2023.

Koen Slippens, CEO

"After experiencing considerable pressure on operations and a globally disrupted supply chain in 2022, 2023 was all about restoring stability. Our basic service provision needed to become better and also more efficient, partly in view of the continuing steep inflation in costs. All things considered, we succeeded, with substantially improved and above all consistent average service levels and on-time delivery.

Our customers needed and continue to need good and reliable service more than ever and we see further opportunities for improvement in this area in 2024. After all, despite the on average great performance in 2023, individual customers experience suboptimal service from time to time, which may be a reason for switching suppliers. Our competitors also struggled with the same issues. We welcomed many new customers, but also saw some leave. On balance, the outcome was positive for us and we gained market share in both markets.

The market is in the grip of change and our customers are increasingly price-sensitive. This is no surprise, seeing as high inflation is confronting them with rising costs in virtually every aspect of their business model. Moreover, many of our customers saw consumers increasingly pare back spending in the 'out of home' channel. As a result, we had to keep a tight rein on pricing policy and support our customers through services and product range choices so that they could continue offering acceptable menu prices despite the price inflation. We believe we amply succeeded but this issue is set to persist into the future and thus demands our continued attention."

Sligro-M

At the end of 2022, with regard to the court-supervised restructuring process in relation to Makro Cash & Carry Belgium NV, the court in Antwerp authorised the judicial trustees appointed in the case to sell most of Metro's business activities in Belgium to Sligro Food Group. The activities were finally transferred on 3 January 2023.

Key figures

x € million	2023	2022
Revenue	2,859	2,483
Revenue growth (%)	15.2	30.8
Organic revenue growth (%)	8.8	30.8
Gross operating result (EBITDA)	137	126
Operating result before amortisation (EBITA)	70	67
Operating result (EBIT)	15	43
Net profit	6	39
Free cash flow[1)]	34	6
Net invested capital	866	800
Net interest-bearing debts	450	365
Earnings per share (x €1)	0.14	0.88
Dividend per share (x €1)	0.30	0.55

[1)] The free cash flow has been adjusted for the impact of lease liabilities paid under IFRS 16.

After intensive and thorough preparations, the nine Metro wholesalers were reopened under our banner over a period of ten days, so that we were operational again at all locations by 18 January. This formidable achievement was made possible by the commitment of many of our Dutch and Belgian colleagues who worked together smoothly and effectively in mixed teams.

Our target was to get back to around 70% of the original Metro revenues by the end of the first year. We are a bit behind schedule on this ambition. Despite the somewhat lower revenue achievement, we are extremely satisfied with the operational results, which significantly exceed our business case assumptions. Thanks not least to the commitment of the staff at the sites, we are making progress daily, costs are under control, and these sites have made a positive contribution to Group EBITDA since the fourth quarter.

ERP implementation

Since going live with our new ERP solution in Antwerp in November 2022, we experienced problems, specifically in delivery operations. This led to unsatisfactory performance towards our customers at that site, in terms of both actual deliveries and the administrative processing. During the first half of the year, we launched an improvement effort that is seeing us troubleshoot issues and stabilise processes and systems. While this led to increasingly visible results, the situation remained insufficiently stable and too complex to commence a roll-out to other sites and we therefore chose not to do so.

The programme has been extensively evaluated and, based on the quality assessment of the system as it is now, we do still see a way to migrate to a future-proof and scalable SAP-based platform. As an interim measure, we are implementing a locally adapted version of the current platform in Belgium, a platform that is successfully used in the Netherlands and at Sligro-M. This will enable the roll-out to be organized smoothly, without disrupting operations. In the light of this decision and on the basis of the assessment of the system’s quality and technical performance, we have concluded that we must recognise an impairment charge due to decommissioning of part of the current solution.

In our view, this approach will accelerate the improvement of overall returns in Belgium, while reducing the costs involved in the further ERP roll-out in both countries. Development of this new SAP-based route will be completed in the first half of 2024 and will include creating the right conditions and safeguards to prevent a recurrence of our previous experience.

From separate countries to a single BeNe organisation

In order to faster shape our strategy and approach for achieving better returns, we also took the decision during the summer to change the way our Belgian activities are run. This decision was separate from the change of course regarding the ERP implementation We changed the management approach by disbanding the separate national executive boards for the Netherlands and Belgium. As of the end of 2023, the entire organisation is managed on a BeNe basis by a single central Executive Board. We expect this to promote both effectiveness and speed on the one hand and synergy and efficiency on the other. Centralised where operationally possible and decentralised where necessary while always looking for group synergy opportunities is our guiding principle here. A model that has proven itself at Sligro-M in a relatively short time. Our customers are increasingly experiencing standardisation and operational stability, something that is vital for growth.

Sustainability

In 2023, we took significant steps towards meeting the sustainability requirements under the CSRD. We performed our double materiality analysis this year and identified fourteen themes for which we will define policy and set KPIs and targets. We started consulting various stakeholders and this will be completed in early 2024. Besides focusing on accountability and compliance, we have not shirked from taking action to actually improve sustainability, as that is ultimately the primary goal. In 2024, we will also continue to focus on making our operations more sustainable.

Sligro Food Group Transport

In 2023, we began operating our own transport business under the name Sligro Food Group Transport. We are doing this for three important reasons. Firstly, to reduce dependence on external service providers in this route to market, which is of key importance to us. Secondly, we want to increase our own understanding of the costs and cost structure of what, for us, is an important component of our services. Thirdly, we want to accelerate sustainability and it seems that the high level of investment associated with purchasing electric trucks (twice the price of fossil) is holding back our external partners.

On 2 January 2024, the Group took over the transport activities for the Sligro delivery service locations in Amsterdam, Berkel en Rodenrijs and Drachten from Simon Loos Transport B.V. Although it happened somewhat earlier than expected, this was one of the reasons why Sligro Food Group Transport was set up.

Results

The operating result decreased by €28 million, leaving a profit of €15 million. The higher impairment and lower book profit largely explain this decrease. What remains on the face of it is an operating result that is €2 million lower than last year. However this result was negatively impacted by the recovery costs for Antwerp and the start-up costs and losses at Sligro-M, which together amounted to €14 million.

	Netherlands		Belgium		Group	
x € million	2023	2022	2023	2022	2023	2022
EBIT reported	**45**	**59**	**(30)**	**(16)**	**15**	**43**
-/- Book profits on asset sales	7	17	0	0	7	17
-/- Impairment	(15)	(3)	(4)	0	(19)	(3)
-/- Metro start-up costs and losses	0	0	(11)	(4)	(11)	(4)
-/- One-off recovery costs and write-downs in Antwerp	(4)	0	(3)	0	(7)	**0**
EBIT from operations	**57**	**45**	**(12)**	**(12)**	**45**	**33**

Gross profit as a percentage of revenue remained stable at 26.7%. As in 2022, managing inflation was a dominant issue during the year. Our customers also felt the same cost pressure in just about all areas of their operations, resulting in a greater focus on price in our discussions with them and a significant reduction of our scope for passing on price increases in the supply chain. We were able to pass on some of the price increases on procurement in the supply chain, although we used the annual improvement in our conditions to limit those increases. As there was no scope available for compensating cost increases in our service provision, we offset them to some extent through efficiency gains but still had to absorb an element of the increased costs in our result.

Costs, including depreciation and amortisation, rose to 26.5% of revenue, an increase of 0.8% relative to the previous year. These costs include non-cash impairment charges related to software and our operation in Antwerp, which fully explain the increase. On balance therefore, other costs remained the same, as a percentage of revenue compared with a year earlier. Many colleagues made a huge effort to achieve this against the background of steep price increases imposed on us at the beginning of the year.

Wages rose by more than 11% in Belgium and by nearly 5% in the Netherlands. We were able to absorb a large portion of those cost increases by making well-considered choices in our staffing, by scrapping vacancies and by reducing the use of agency workers for change projects in particular. Logistics costs rose by 0.8% as a percentage of the revenue from deliveries. We started the year with an increase in our transport charges of about 8%. We launched many initiatives to cut logistical costs. Stability in the chain allowed us to again spend time on expanding delivery windows, postcode optimisation and shifting deliveries to afternoon hours.

General costs increased strongly. Although inflation and cost increases related to service provision also had an impact in this respect, most of the increase was caused by the costs we incurred to stabilise the ERP solution in Antwerp.

Depreciation and amortisation increased compared to a year earlier. In addition to the impairment charges, Sligro-M resulted in an addition of over €10 million in depreciation and amortisation expenses. In December 2022, we started amortising the investments in our new ERP environment over a five year period, which led to a sharp increase in expense this year. In combination with the impairment charge, half of the original investment has now been amortised through the profit and loss account.

Financial income and expenses increased on balance by €9 million compared to the previous year. Due to the acquisition of the Metro sites in Belgium, our debt position increased. In combination with increased interest rates, interest expenses increased by €7 million.

All in all, our expectations for the result in 2023 were higher at the start of the year. Market conditions became significantly more challenging after the summer and caused us to change course on many fronts, shifting our emphasis from growth to cost control. In the light of market conditions and the underlying development of our EBIT result, we are moderately pleased with 2023 and extremely eager to continue the underlying trend in the results as we pursue our mid-term goal.

Investments, operating capital and cash flow

Investments increased to €78 million or 2.7% of revenue in 2023. In the Netherlands and Belgium, we invested €54 million in sustainability improvements for our cash-and-carry outlets and their conversion to our 3.0 concept, and in modifications, sustainability improvements and replacements at our delivery service and production sites. We also purchased our first 25 electric trucks at a total cost of €8 million. The €16 million investment in software and intangible assets went mainly to our online platform and software used in the existing systems. The modifications needed to stabilise the SAP environment in Antwerp were mostly charged directly to earnings as an expense, and not recognised as investments.

Our net working capital position decreased slightly relative to the previous year, and operating capital also decreased slightly when measured as days of revenue. During the year, the supply chain stabilised somewhat, allowing us to reduce our inventory position again.

We achieved a net free cash flow of €34 million. Of this, €24 million was paid out in the final dividend for 2022 and the interim dividend for 2023. We acquired Metro's sites in Belgium for an amount of €44 million, increasing our debt position by €33 million on balance.

Dividend

In accordance with our dividend policy, we pay a dividend of approximately 60% of the result after tax, excluding the non-recurring result. We view the non-cash impairment charges associated with the ERP package and our Antwerp site, resulting from the exchange rate fluctuation, as extraordinary. A dividend of €0.30 per share is proposed for 2023. An interim dividend of €0.30 per share was paid previously in 2023, meaning that no final dividend will be paid.

Outlook

Based on the trends in the second half of 2023 and signs regarding the development of the economy in the Netherlands and Belgium, we foresee challenging market conditions for most of 2024. Consumer confidence is low and uncertainty in the political realm is fuelling unrest. That sentiment usually leads to restraint in spending with a dampening effect on volumes in the ‘out of home’ channel. Based in part on currently available market information, we expect the market volume to shrink slightly. Inflation (related to food products) appears to have peaked and is now falling, but will still have a major impact in 2024. On balance, there will be modest market growth. Historically, the economic cycle picks up again after 1 to 1½ years, so recovery is expected in late 2024 to early 2025.

For Sligro Food Group, a market with high inflation and declining volumes means that we must closely monitor and manage costs and reduce them where possible. We have been working on this since the summer of 2023 and it will continue to be an area of explicit focus in the coming years.

In line with the information presented during our most recent Capital Markets Day, we are fully committed to achieving our medium-term return target in 2024 and beyond. Although some of the planned improvements will contribute to the return in 2024, there will be many interventions in the course of 2024 which will start to bear fruit from 2025 on.

In terms of technology and processes, we are bringing our logistics base in Belgium in line with the principles we have successfully applied in the Netherlands for several years.

We have already made changes to the management of the organisation and, in view of the resulting high potential for optimisation and cost-reduction, we will work on extending this further into the organisation in 2024. During the coming year, we expect to phase out approximately 150 positions as a result of the integration, most of which can be absorbed through natural employee turnover and the pool of flexible workers created in recent years. We are having focused but fair discussions on conditions with suppliers and we are looking for opportunities there to limit price increases for our customers.

Following a good first year, Sligro-M has its sights set on revenue growth in 2024. The cash-and-carry site operating model is in good shape, so adding volume within that same structure is the way to further strengthen returns.

In the Netherlands and Belgium, we are committed to growth and a healthy revenue mix. Phasing out the tobacco product offering from 1 July 2024 will result in a significant decrease in (low-profit) revenue, but we still expect to increase revenue through growth with existing customers and by acquiring new customers. In the current economic climate, the main emphasis is on retaining existing customers and driving growth with them, but growth through customer acquisition in the region is also high on the agenda.

In the coming period, day-to-day operations and the challenges created by the current economic climate will receive all the attention they require. In other words, an unwavering focus on healthy revenue growth, controlling costs and cutting back overhead. That requires rigorous choices and change programme prioritisation and that is exactly what we are doing.

Our new BeNe structure with integrated management, extensive control and emphatic hands-on involvement on the part of the Executive Board, fits well with our culture and the current spirit of our times. On our path to achieving our profitability target of 7.5% in 2025, we have the interests of our customers at the forefront of our minds - they require both high-quality service and appropriate pricing, especially in these times.

Rather than engaging in excessive planning, our entire focus is on doing and delivering. So our theme for 2024 is: Just do it!

We published the 2023 annual report this morning. Comments on the annual figures will follow today at a press conference and an analyst meeting. The presentation that will be given is available at www.sligrofoodgroup.nl.

In our trading update of 18 April 2024, we will go into developments in the first quarter of 2024 in greater detail, and we will publish our interim figures on 18 July 2024.

Veghel, 08 February 2024

On behalf of the Executive Board of Sligro Food Group N.V.
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Appendices

Consolidated statement of profit or loss

x € million	2023	2022	2021
Revenue	**2,859**	**2,483**	**1,898**
Cost of sales	(2,097)	(1,820)	(1,400)
Gross profit	**762**	**663**	**498**
Other operating income	**8**	**18**	**7**
Employee expenses	(370)	(314)	(226)
Premises costs	(41)	(34)	(29)
Selling costs	(22)	(22)	(10)
Logistics costs	(144)	(140)	(91)
General and administrative expenses	(56)	(45)	(40)
Depreciation of property, plant and equipment and right-of-use assets	(65)	(59)	(60)
Amortisation of intangible assets	(38)	(21)	(21)
Impairment of property, plant and equipment and right-of-use assets	(2)	0	0
Impairment of goodwill and other intangible assets	(17)	(3)	(3)
Total operating costs	**(755)**	**(638)**	**(480)**
Operating result	**15**	**43**	**25**
Finance income	0	0	0
Finance costs	(16)	(7)	(7)
Share in the result of associates	7	7	8
Pre-tax profit (loss)	**6**	**43**	**26**
Income taxes	0	(4)	(6)
Net profit (loss)	**6**	**39**	**20**
Profit (loss) attributable to shareholders of the company	**6**	**39**	**20**

Details per share (x €1)	2023	2022	2021
Basic earnings (loss) per share	0.14	0.88	0.45
Diluted earnings (loss) per share	0.14	0.87	0.45
Dividend proposed	0.30	0.55	0.00

Consolidated statement of comprehensive income

x € million	2023	2022	2021
Net profit (loss)	6	39	20
Items that have been or may be reclassified to profit or loss:			
Cash flow hedges, after tax	0	0	0
Other comprehensive income that will bereclassified to profit or loss, after tax	0	0	0
Comprehensive income	**6**	**39**	**20**
Comprehensive income attributable to shareholders of the company	**6**	**39**	**20**

Consolidated statement of cash flows

x € miljoen	2023	2022	2021
Receipts from customers	3,260	2,739	2,162
Receipts from other operating income	1	1	3
	3,261	**2,740**	**2,165**
Payments to suppliers	(2,728)	(2,308)	(1,802)
Payments to employees	(159)	(132)	(128)
Payments to the government[1]	(222)	(200)	(164)
	(3,109)	**(2,640)**	**(2,094)**
Net cash flow from business operations	152	100	71
Interest paid	(9)	(3)	(2)
Dividends received from participations	8	6	5
Income tax received (paid)	(9)	(12)	(1)
Net cash flow from operating activities	**142**	**91**	**73**
Acquisitions of subsidiaries	(44)	0	0
Proceeds from sales of subsidiaries	0	1	0
Purchase of property, plant and equipment	(64)	(40)	(21)
Proceeds from disposal of property, plant and equipment	8	1	7
Purchase of intangible assets	(19)	(21)	(23)
Purchase of interests in and loans to associates	0	0	0
Other receipts from sales of interests in and repayment of loans by associates	0	18	2
Net cash flow from investing activities	**(119)**	**(41)**	**(35)**
Drawdown of long-term and short-term borrowings	161	0	0
Repayment of long-term and short-term borrowings	(100)	(20)	0
Change in treasury shares	1	1	1
Lease liabilities paid	(33)	(25)	(23)
Dividend paid	(24)	(13)	0
Net cash flow from financing activities	**5**	**(57)**	**(22)**
Change in cash, cash equivalents and short-term borrowings	**28**	**(7)**	**16**
Opening balance	4	11	(5)
Closing balance	**32**	**4**	**11**

[1] Includes the payment of €0 million received from the government under the NOW wage subsidy scheme (2022: €4; 2021: €28).

Consolidated statement of financial position

x € million x € miljoen	31 December 2023	31 December 2022	31 December 2021
Assets			
Goodwill	130	125	125
Other intangible assets	143	144	146
Property, plant and equipment	296	281	282
Right-of-use assets	250	203	211
Investments in associates	56	56	55
Other non-current financial assets	13	6	7
Deferred tax assets	4	1	0
Total non-current assets	**892**	**816**	**826**
Inventories	268	266	226
Trade and other receivables	244	240	131
Other current assets	37	39	36
Income tax	0	0	0
Cash and cash equivalents	32	59	12
	581	**604**	**405**
Assets held for sale	9	1	2
Total current assets	**590**	**605**	**407**
Total assets	**1,482**	**1,421**	**1,233**
Liabilities			
Paid-up and called-up capital	3	3	3
Share premium	31	31	31
Other reserves	(2)	(4)	(4)
Retained earnings	429	449	423
Total equity	**461**	**479**	**453**
Deferred tax liabilities	9	12	22
Employee benefits provision	2	2	2
Other non-current provisions	0	0	0
Long-term borrowings	40	110	160
Non-current lease liabilities	255	208	214
Other liabilities	3	0	0
Total non-current liabilities	**309**	**332**	**398**
Current provisions	0	0	0
Current portion of long-term borrowings	0	30	0
Short-term borrowings	161	55	1
Current lease liabilities	26	21	20
Trade and other payables	364	364	255
Income tax	5	7	3
Other taxes and social security contributions	37	29	22
Other liabilities, accruals and deferred income	119	104	81
Total current liabilities	**712**	**610**	**382**
Total liabilities	**1,482**	**1,421**	**1,233**

Consolidated statement of changes in shareholders' equity

x € million	Paid-up and called-up capital	Share premium	Other reserves	Retained earnings	Total
Balance as at 31 December 2021	**3**	**31**	**(4)**	**423**	**453**
Share-based payments					
Dividend paid	0	0	0	(13)	(13)
Change in treasury shares	0	0	0	0	0
Transactions with owners	0	0	0	(13)	(13)
Profit (loss) for the financial year	0	0	0	39	39
Total realised and unrealised results	0	0	0	39	39
Balance as at 31 December 2022	**3**	**31**	**(4)**	**449**	**479**
Share-based payments					
Dividend paid	0	0	0	(24)	(24)
Change in treasury shares	0	0	2	(2)	0
Transactions with owners	0	0	2	(26)	(24)
Profit (loss) for the financial year	0	0	0	6	6
Total realised and unrealised results	0	0	0	6	6
Balance as at 31 December 2023	**3**	**31**	**(2)**	**429**	**461**

Segment reporting

	Netherlands		Belgium		Group	
x € million	2023	2022	2023	2022	2023	2022
Revenue	2,429	2,238	430	245	2,859	2,483
Organic revenue growth as %	8.6	29.3	11.3	46.3	8.8	30.8
Gross profit as % of revenue	27.1	27.1	24.1	23.0	26.7	26.7
Gross operating result (EBITDA)	146	134	(9)	(8)	137	126
Operating result before amortisation (EBITA)	93	82	(23)	(15)	70	67
Operating result (EBIT)	45	59	(30)	(16)	15	43
Net profit (loss)	31	51	(25)	(12)	6	39
Net investments	60	52	18	7	78	59
Free cash flow[1]	79	25	(45)	(19)	34	6
EBITDA as % of revenue	6.0	6.0	(2.1)	(3.4)	4.8	5.1
EBIT as % of revenue	1.9	2.6	(7.0)	(6.4)	0.5	1.7
Average net invested capital	726	749	107	53	833	802
EBITDA as % of average net invested capital	20.0	14.8	(8.3)	(2.7)	16.4	13.6
EBIT as % of average net invested capital	6.2	7.8	(28.2)	(29.4)	1.8	5.3

[1] The free cash flow has been adjusted for the impact of lease liabilities paid under IFRS 16.

Profile

Sligro Food Group consists of companies that specifically focus on the food service market in the Netherlands and Belgium by offering a comprehensive range of food and food-related non-food products and services in the wholesale market.

Netherlands

In the Netherlands, we are the market leader and operate a nationwide network of Sligro cash-and-carry and delivery service wholesale outlets serving large and small-scale companies in the hospitality industry, leisure facilities, caterers, large-volume users, company restaurants, petrol stations, small and medium-sized enterprises, small retail businesses, and the institutional market. Van Hoeckel focuses specifically on the institutional market, while Sligro serves all the other segments. We operate in the City Region of Amsterdam under the wholesale format De Kweker. In a long-term strategic partnership with Heineken, Sligro is responsible for the exclusive distribution of Heineken keg beer in the Netherlands. Sligro/De Kweker and Van Hoeckel each have a dedicated commercial organisation focusing on their specific markets, while they make operational use of joint delivery and other shared networks and the backoffice organisation.

Belgium

In Belgium, Sligro and Sligro-M focus on food professionals, the gastronomic catering market, bulk consumers and SMEs through a nationwide network of cash-and-carry wholesale outlets and delivery service centres. JAVA Foodservice focuses primarily on the institutional, corporate catering and hotel chain market segments. The brands in Belgium have their own commercial organisations and make increasing use of a common delivery structure and shared services.

Sligro Food Group has its own production facilities for specialist convenience products (Culivers) and fresh fish (SmitVis). The company also sources meat, game and poultry, and bread and pastries through its participations in fresh partners, which serve both the Dutch and Belgian market. In Bouter, Sligro Food Group has a specialist company for consultancy, design, supply, installation and maintenance of professional kitchen equipment, appliances and refrigeration and freezing equipment. Sligro Food Group is one of the largest players in the end-of-year gift market, with traditional Christmas hampers being offered through Sligro and online gift concepts through Tintelingen.

Our customers have access to more than 75,000 food and food-related non-food products, together with numerous services to support our customers' businesses and help them to advance. Most of the procurement for specific food service products is handled directly through the Sligro Food Group, although a portion is arranged through CIV Superunie B.A.

Sligro Food Group companies actively seek to share knowledge and make good use of the extensive scope for synergy and economies of scale. Both countries are centrally managed based on a BeNe organizational model. Activities that are primarily customer-related are carried out in the separate countries and business units. By combining our central procurement with direct, meticulous category and margin management, we aim to continuously improve our gross margins and offer our customers a unique and innovative product range. Operating expenses are kept under control by having an integrated supply chain and through our constant focus on cost control. Centralised management of our IT landscape, centralised design and control of master data management, and centralised talent and management development all work to further enhance group synergy.

Sligro Food Group strives to be a high-quality business for all its stakeholders that constantly grows in a controlled manner. Sligro Food Group shares are listed on Euronext Amsterdam. The Group's head office is located in Veghel, Netherlands.