



## Results for the first quarter of 2014

### **Campofrío Food Group increases EBITDA by 10% to €28 million**

- . Sales volume increased by 2.1%, reaching 95,177 tonnes
- . Sales turnover totalled €436.5 million on the back of strong performance of Health, Heritage and Snacking product lines
- . EBITDA grew by 10% thanks to the efficiency measures adopted as part of the company's strategic plan
- . Campofrío Food Group enjoys a robust financial position, with a total liquidity of €364 million at the close of the quarter

**Madrid, 14 May 2014.** Campofrío Food Group (CFG), the European leader of the processed meats sector, closed the first quarter of 2014 with an increase of 2.1% in sales volume, reaching 95,177 tonnes, and **net sales turnover** of €436.5 million, representing a slight 1.2% drop year on year. This is in line with the performance of the markets where CFG operates, in which early signs of an economic upturn in the first quarter have not been reflected in consumer spending, the recovery of which is proving to be very slow. The quarter was also marked by aggressive commercial strategies in the sector. Whilst CFG increased sales volumes, downward pressure on prices hampered the evolution of the net sales turnover figure mentioned above, though this did not impact the company's operating margins, which grew over the period.

CFG's commitment to innovation in both products and formats continued to generate strong results. The growth platforms through which the company is responding to the majority of new consumer demands saw a combined growth of 9.7%, accounting for 10% of CFG's revenues. The Health and Heritage platforms posted particularly strong sales growth; Health reported an 18.6% increase underpinned mainly by the "Cuida-t+" range, which was launched in Spain in 2013 and rolled out to Italy in the first quarter of 2014. The Heritage range grew by 22.9%, highlighting the solid position of the company's traditional deli-format brands. Revenues from the Snacking range grew by 2%. Sales of the company's affordable range – which includes packets of sliced meats priced at €1, among other products – grew by 25.9% in Spain. In terms of product categories, the company consolidated its leadership position in poultry products, with an 8.6% hike in sales.

There was also a notable quarterly evolution of cured products in the Spanish market. Sales of cured dry sausage products grew by 9.4% boosted by new launches across the company's brands: Campofrío, Navidul and Revilla. Growth in cured dry ham sales was of 9.7%, supported by innovation; sales of Navidul sliced meat products enjoyed remarkable growth of 13%. CFG has consolidated its undisputed leadership position in these market segments.

In the first quarter, **EBITDA** stood at €27.9 million, up 10% year on year, supported by the slight drop in raw material prices and the company's efforts to drive down costs. "Other operating costs" specifically were cut by almost 2%, thanks mainly to cost control and reduction policies and the progress made by the company in its operating efficiency plan. As a result, in Q1 2014 the company's EBITDA margin – expressed as a percentage of sales – stood at 6.4%, up 0.6pp year on year. CFG has continued to



enhance its profitability quarter after quarter, largely thanks to the progress made in implementing its transformation plan, which was launched two years ago and which seeks to improve profitability across all group areas, from the production, logistics and procurement structure to the support and management divisions.

The **net result** for the quarter was a loss of €4.5 million, attributable to the impact of the results of certain investees accounted for using the equity method<sup>1</sup>.

Once again, CFG demonstrated its capacity to generate liquidity, increasing its **gross operating cash flow** by 8% up to €28.1 million. However, this increased cash flow was negatively offset at the end of the quarter by the need for greater working capital to cover advance raw material purchases, a measure taken by CFG to mitigate the impact of an expected rise in meat prices. These advance purchases will have a positive impact on costs and working capital in the coming quarters.

As of March 31<sup>st</sup>, 2014, CFG boasts a solid financial position. Including the credit lines of €240 million also available to the company at that time, CFG's overall liquidity position at the end of the period totalled €364 million. This liquidity affords the company the flexibility it needs to continue with the transformation plan underway to boost its competitiveness and profitability.

Net financial debt at the end of the quarter was €484.1 million, which reflects a net debt to EBITDA ratio of 3.2x for the last twelve months and falls within the company's target range.

**Main figures:**

Million €	Year-on-year comparison		
	Q1 2014	Q1 2013	% Change
Sales volume (tonnes)	95,177	93,208	2.1%
Net revenue	436.5	441.6	-1.2%
Reported EBITDA	27.9	25.4	9.9%
Profit / (Loss)	(4.5)	(4.1)	10.6%
Reported EBITDA margin	6.4%	5.8%	0.6pp
Net financial debt	484.1	472.8	
Net financial debt / EBITDA	3.2x	3.3x	

With regard to the results, Fernando Valdés, CEO of Campofrío Food Group, said:

*“The good sales results prove that innovation and commercial efforts, coupled with our high-impact marketing campaigns continue to deliver excellent results. Campofrío Food Group has established its position as the most dynamic company in the European processed meat products market.*

<sup>1</sup> These are companies in which CFG does not exercise shareholder control and in which it takes no part in their management. These investments are accounted for using the equity method.



*In addition to the strong performance in sales volumes I would particularly like to highlight the improvement of margins in the quarter. Both achievements have taken place in a climate which continues to be complex given sluggish consumer spending and the aggressive strategies of our competitors. Sales benefit from our intensive, dynamic product innovation. The improvement in profitability is evidence that we are achieving greater efficiency as we progress in the implementation of new processes in procurement, production and supply chain. As a company, CFG is increasingly competitive and well-equipped to rise to the challenges of the sector. In 2014 we will continue to reinforce the operating structure between all of our markets. However, given the major projects we have undertaken over the past two years, we expect to see the plan have an increasingly positive impact on our results every quarter going forward.*

*Despite recent indicators pointing to an upturn in industrial activity in Europe, it appears that consumer spending will recover slowly and that this recovery will differ from market to market. The confidence and expectation indices across the various European countries show contrasts, and do not provide enough clarity for us to be confident that we are approaching a turning point in terms of consumer spending. From a sector perspective, it is difficult to predict how prices will vary in the medium term and competition is based on aggressive pricing strategies. At CFG we therefore face the rest of the year with both caution and determination; we are confident that our strategy is the best way to maintain our leadership position and our profitability."*

#### **Notes to editors**

Campofrío Food Group (CFG) is the leader of the European processed meats sector. Its products, which are sold under its leading brand names – including Campofrío, Aoste, Cochonou, Fiorucci, Justin Bridou, Marcassou, Moroni, Navidul, Revilla, Nobre, Stegeman and Oscar Mayer –, cover multiple categories, including cooked ham, dry sausages, dry ham, hot dogs, poultry products, cold cuts, pâtés and ready meals. CFG produces and sells its products in eight European countries and in the United States. The Group also exports to 80 countries through independent distributors.

#### **Press enquiries**

Grupo Albión

Tel: +34 91 531 23 88

Sofía García – [sgarcia@grupoalbion.net](mailto:sgarcia@grupoalbion.net)

Álvaro Pérez – [aperez@grupoalbion.net](mailto:aperez@grupoalbion.net)

Alejandra Moore – [amoore@grupoalbion.net](mailto:amoore@grupoalbion.net)