



B&S Group Q1 2020 trading update

Diversified business model limits Covid-19 impact on Q1 turnover, financial position remains solid.

Mensdorf, Luxembourg – May 18, 2020 (07:00 CET)

B&S Group S.A. (“B&S Group” or the “Group”), a fast-growing, global distribution partner for consumer goods, today publishes its trading update for the first quarter of 2020 (“Q1 2020”).

Highlights Q1

- First and foremost, we continued to be fully aligned and in compliance with all provisions issued by the various authorities as well as WHO guidelines to safeguard the health of our employees and business partners during the Covid-19 pandemic;
- The Covid-19 virus initially impacted our Asian markets in the first months of Q1, where in the latter part of March the cruise and travel retail markets came to a standstill. All other business lines showed more resilience, and towards the end of the quarter the Asian market started to show early signs of recovery;
- Although organic turnover decreased by 5.3% at reported rates, our online sales to platforms and the acquired medical supply business of Lagaay to a large extent counterbalanced the effect of Covid-19 on total turnover, resulting in a 1.3% overall turnover decline to € 420.5 M at reported rates or € 415.4 M at constant currency in Q1 2020 (Q1 2019: € 425.9 M);
- B&S Group reaffirms that it has a solid balance sheet and sufficient credit facilities to cover its liquidity needs.

Turnover breakdown Q1 2020 in € million (unless otherwise indicated)





Covid-19 related measures

As announced in our Covid-19 update on April 2, 2020, our key priority is to keep our employees safe and healthy. We are at the same time proactively managing the economic consequences of the Covid-19 pandemic with a clear set of cost control measures aimed to align cost levels with short to medium turnover expectations. We have taken measures to reduce opex (which mainly comprises staff costs) by bringing temporary staff in line with sales volumes and utilising government support in the countries we are present in order to mitigate the effect on our EBITDA levels where possible.

Our focus lies on aligning the inflow levels of our inventory with the outflow of our sales and as such decreasing our net debt position. As an example, all purchases for our European cruise distribution were cancelled in Q1. In order to maintain our healthy inventory position and receivables portfolio, we are in active dialogue with our diversified supplier and customer base to work towards agreements and solutions where required.

Our capex requirements for the foreseeable future are limited, and our current investment programs are being re-evaluated to adopt to the current situation in our diversified end markets.

Bert Meulman, CEO: “As a result of Covid-19 and the measures taken by authorities to limit the spread of the virus, sales volumes in our Asian markets were impacted mainly in the first two months of the first quarter. In our food distribution to European cruises and in our travel retail business, sales volumes declined rapidly in the latter part of the first quarter and came to a complete standstill towards the end of March. The decrease of business in these markets was to a large extent counterbalanced by good performance of our online health & beauty distribution to platforms and end-customers, as well as by the continuance of our food distribution business to remote areas and our international medical supply during Q1. Adding to this, although early days, at the end of the quarter we began to notice the first signs towards recovery in our Asian markets. Our financial position remained solid given our ongoing execution of our working capital program as initiated in 2019, as well as the cost control measures related to Covid-19 that we implemented over the course of the first quarter. At the same time, we are continuing our 2020-2022 strategic initiatives with an enhanced focus on optimising internal processes and digitising our operations, which positions us for future business opportunities we foresee in specific niche markets and in particular in the online channels.”

Segmental review

HTG Health & Beauty

While our online distribution business to platforms and end-customers showed resilience in Q1, and performed even better than anticipated in the first part of Q2, the temporary lockdowns of a vast number of countries and the closing of physical shops mid-March had an effect on our health & beauty distribution to physical retail outlets mainly in the value and discount retail in certain European countries. In the first weeks of Q2, our distribution to physical retail began to show a



slow but noticeable upward trend with convenience retail shops in several countries opening again.

HTG Liquors

Our liquor distribution to Asia, and particularly China, was impacted by Covid-19 in the first months of 2020, albeit traditionally always a slow quarter after the seasonal peak in Q4. When lockdowns in this area were gradually lifted, we began to notice the first signs of vigilant recovery of sales volumes in this market that sustained in the first part of Q2, albeit at lower margins compared to Q2 2019 levels.

Liquor wholesale in Europe was impacted by the social restrictions on end-customers and the closing of public venues across Europe that started in March. In the last weeks of March and the first weeks of Q2, this impact enhanced as more and more countries in Europe declared a temporary lockdown or prolonged the initial period of their lockdown, particularly in relation to public gatherings.

B&S segment

The majority of our maritime business and international FMCG distribution remained resilient in Q1 and was hardly affected. Our other business lines in this segment including food supply to remote areas and international medical supply rely on the continuity of the services we provide and remained stable. On the other hand, our food distribution to European cruises and our international FMCG distribution to duty free markets such as airports came to a complete standstill toward the end of March. These market circumstances continued in the first part of Q2.

Retail segment

With the travel sector being severely impacted by Covid-19 related measures, the sales of our international and regional airports retail activities and cruise shops came to a standstill toward the end of March, and this situation continued in the first part of Q2.

We set up a dedicated committee within the retail segment for developing and executing an action plan with primary focus on bringing the cost levels in line with the expected sales volumes. As communicated in our Covid-19 update, we are in close contact with all airports where we operate to come to agreements regarding the suspension or waiving of lease obligations and concession fees. By scaling down temporary staff wherever possible and utilising support from government regulations in the countries we are present, we aligned our cost base within this segment with business volume to the extent possible in Q1.

Since our Covid-19 update, the market circumstances in our retail activities remained unchanged, and we do not expect recovery of the retail segment to pre-covid 19 levels on the short to medium term. The committee is preparing further initiatives to align the organisational structure and cost levels with the expected sales volumes going forward.



Financial position

As stated in our Covid-19 update, we have a healthy, mainly credit insured and diversified client portfolio and an inventory of predominantly fast-moving branded products.

Our measures related to working capital and cost control as described earlier, are concentrated on aligning net debt and EBITDA going forward, allowing the Group to keep operating within its covenants and providing head room once volumes pick up again and sourcing opportunities arise.

Although liquidity is sufficient, we have taken a prudent approach towards capital allocation and therefore canceled the 2019 final dividend to ensure resilience during these uncertain market circumstances and to further enhance our financial position. At the same time, this allows us to make room to invest in business growth once markets recover.

Outlook

For the remainder of Q2 2020, we expect market circumstances similar to what we have seen end of March and in the first part of Q2. As such, we anticipate sales volumes to decline 25 – 35% in Q2 2020 on a like-for-like basis due to Covid-19 impact. While we continue to take all measures possible to limit EBITDA decline in Q2, it should be noted that where our operational leverage fuels EBITDA growth in times of increased sales volumes, this effect reverses in times of declining sales volumes.

For the second half of 2020, we do foresee a partial recovery of overall Group sales volumes starting in Q3 with further positive trends towards and in Q4 (traditionally our strongest quarter), originating from growth of online channels and recovery of our Asian and European markets, except for our cruise and travel retail. Given the seasonality of these two markets with normally a peak in Q2 and Q3, we do not expect sales volumes to recover in 2020. All in all, we consider 2020 a bridge year towards getting back to pre-Covid-19 sales growth levels for the Group in 2021.

Conference call

Our CEO Bert Meulman, CFO Gert van Laar and upcoming CFO Peter Kruihof will host an analyst call at 10:30 CEST this morning to discuss the Q1 2020 trading update.



Financial calendar

May 19, 2020	Annual General Meeting (13:30 CET, <i>virtual meeting</i>)
August 24, 2020	Half year 2020 results (07:00 CET)
November 9, 2020	9M 2020 update (07:00 CET)

Annual General Meeting May 19, 2020

In view of the Covid-19 pandemic and related limitations on travel, B&S Group has decided to hold its annual General Meeting on May 19, 2020 without a physical presence, as permitted by Luxembourg law. The Group is facilitating online attendance of the meeting for shareholders by means of a video webcast. More information can be found in the convening notice that is published on the corporate website.

Upcoming events

May 20, 2020	UK virtual roadshow, hosted by ABN AMRO
May 26, 2020	EU virtual roadshow, hosted by Kepler Cheuvreux
May 28, 2020	US virtual roadshow, hosted by ING

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About B&S Group

B&S Group is a global distribution partner for consumer goods in attractive channels and across specialised markets, such as Retail B2B (business-to-business), Maritime, Remote and Retail B2C (business-to-consumer). With a well-trained and experienced workforce of over 2,500 employees, the Group serves as a trusted and reliable partner to suppliers and customers, providing essential distribution services and solving their supply chain complexities. B&S Group operates a flexible, well invested and highly efficient distribution platform that comes with strong barriers to entry. Powered by high capacity warehouses and delivered with expertise in customs and compliance, the Group offers over 40,000 SKUs to its customers in more than 100 countries.

Visit our corporate website: www.bs-group-sa.com.



Forward-looking information / disclaimer

This press release includes forward-looking statements. Other than reported financial results and historical information, all statements included in this press release, including, without limitation, those regarding our financial position, business strategy and management plans and objectives for future operations, are, or may be deemed to be, forward-looking statements. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements are based on our current expectations and projections about future events and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond B&S Group's ability to control or estimate precisely, such as future market conditions, the behaviour of other market participants and the actions of governmental regulators. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release and are subject to change without notice. Other than as required by applicable law or the applicable rules of any exchange on which our securities may be traded, we have no intention or obligation to update forward-looking statements.