



# **HKSCAN**

## **Interim report Q1/2017**

**Tuomo Valkonen, CFO**

**Info meeting, 3 May 2017, Helsinki**

# **Challenging start to the year – operational restructuring started**

# HKScan Group Q1/2017

- Group's net sales decreased
  - Sweden continued to decline – other market areas slightly below
- Group's EBIT declined
  - Finland in particular but also Sweden declined
  - Baltics and Denmark on par
  - Extra costs due to the business consultation related to the new way of working
- Group's cash flow declined
  - Inventories rose in Finland and Sweden, Rauma investment spend visible

## Highlights

- Sweden; sales of beef and processed category, excluding cold cuts, recovered
- Finland; pork supply in balance and margin improved in red meat (pork), a slight gain in market share despite the continuing market decline
- Denmark; operational efficiency improved, export relatively good
- Baltics; red meat margins recovered

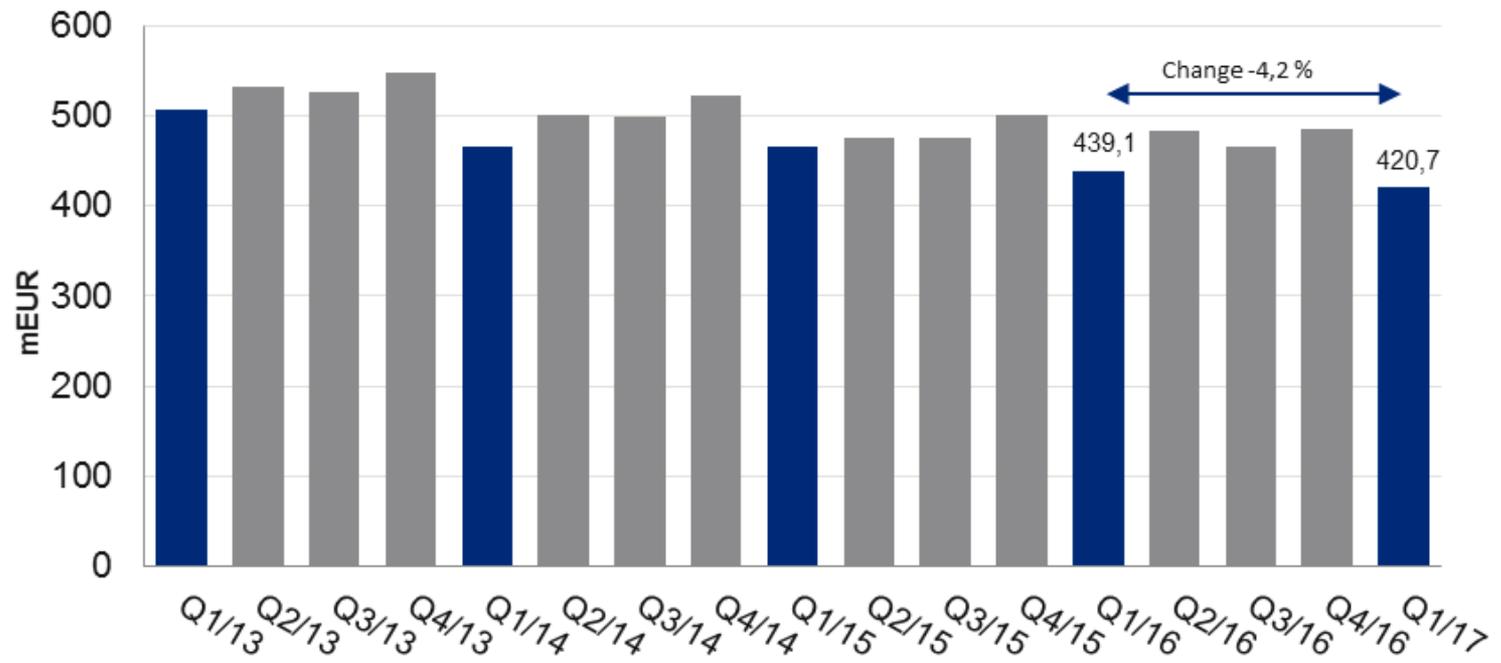
## Lowlights

- Sweden; loss in market share, decline in cold cuts continued, increase in animal raw material costs, temporary pork oversupply
- Finland; scarcity of beef, decline in sales prices of processed category
- Denmark; avian flu restricted export to Asia, domestic sales good but didn't improve, still high stock level
- Baltics; low sales price level in poultry and processed category

# HKScan Group Q1/2017

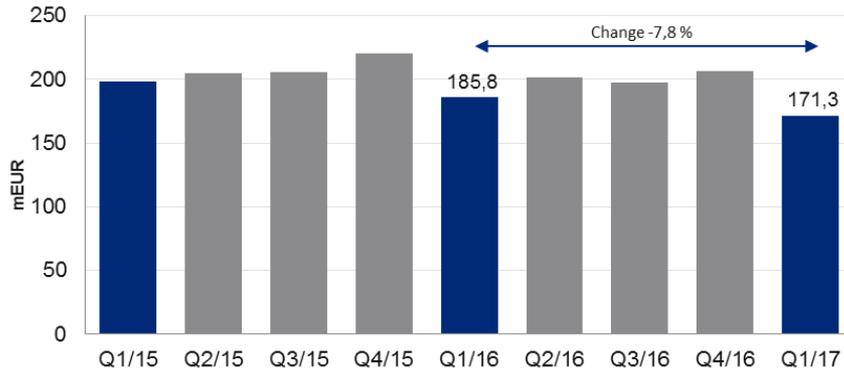
EUR million	Q1/2017	Q1/2016	2016
Net Sales	420,7	439,1	1 872,9
EBIT	-6,8	-4,3	9,7
- % of net sales	-1,6 %	-1,0 %	0,5 %
Profit/loss before taxes	-8,2	-7,3	0,9
- % of net sales	-2,0 %	-1,7 %	0,0 %
Profit/loss for the period	-7,0	-9,4	-3,6
Comparable EBIT	-6,8	-3,1	13,2
- % of net sales	-1,6 %	-0,7 %	0,7 %
Comparable profit/loss before taxes	-8,2	-6,1	4,4
- % of net sales	-2,0 %	-1,4 %	0,2 %
EPS, EUR	-0,14	-0,17	-0,10
Return on capital employed (ROCE) before taxes, %	1,8 %	1,5 %	2,1 %
Comparable ROCE before taxes, %	2,3 %	3,7 %	2,7 %
Net gearing, %	46,5 %	39,6 %	33,5 %
Personnel	7 000	6 950	7 319

# Group net sales

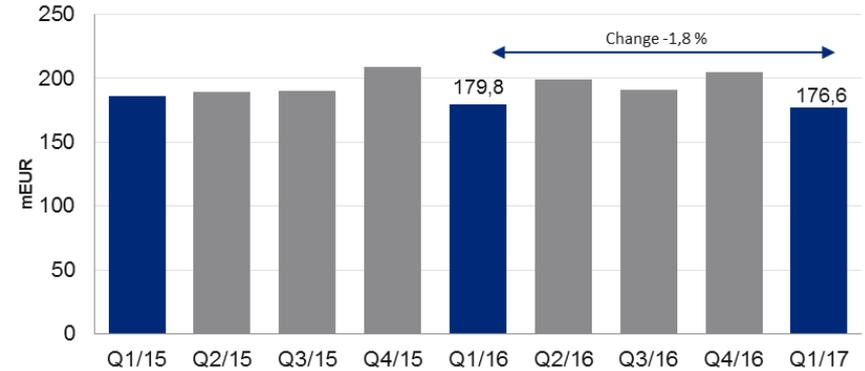


# Net sales by market area

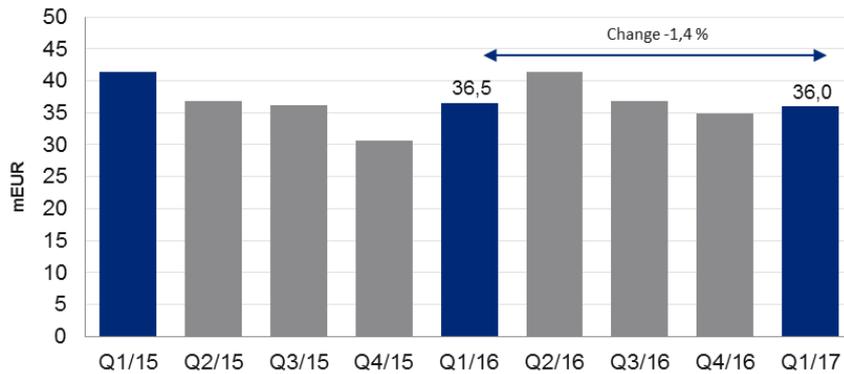
## Sweden



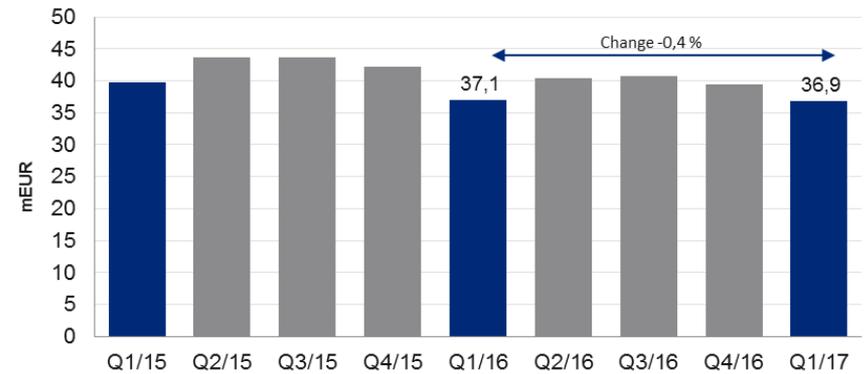
## Finland



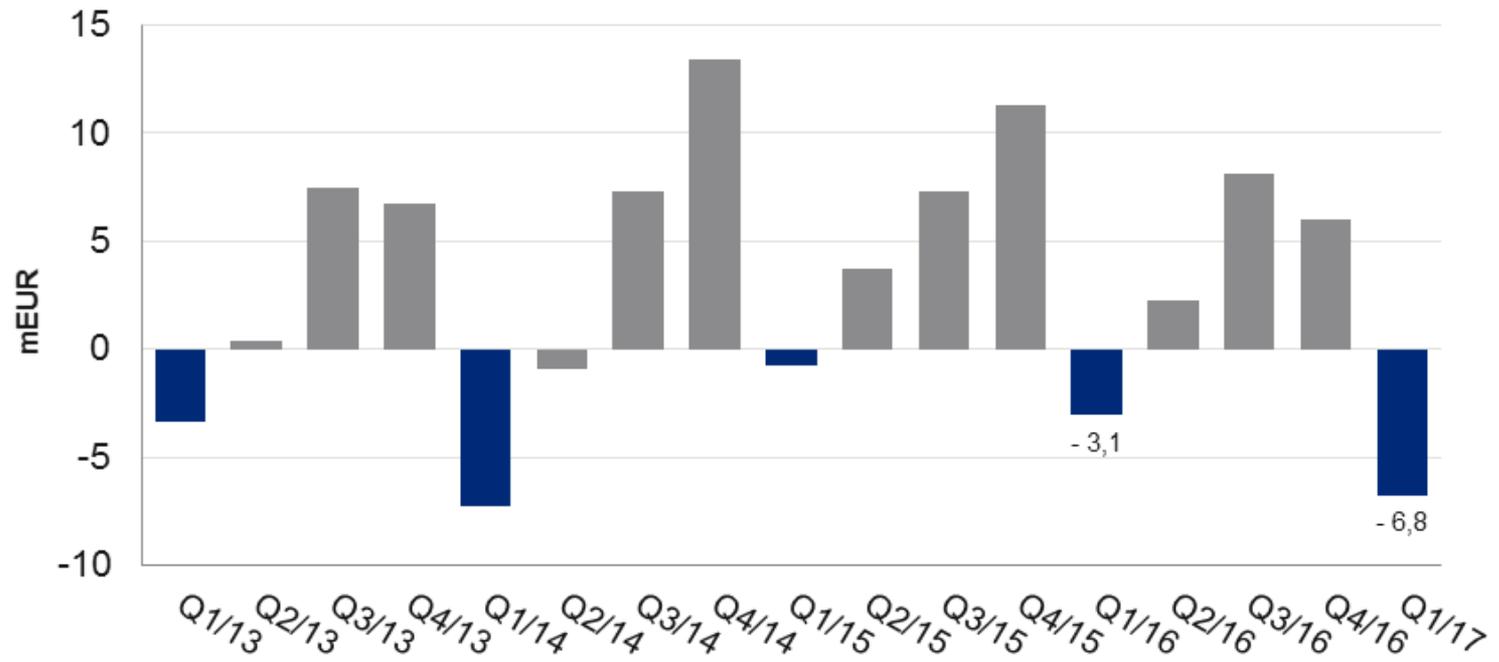
## Denmark



## Baltics

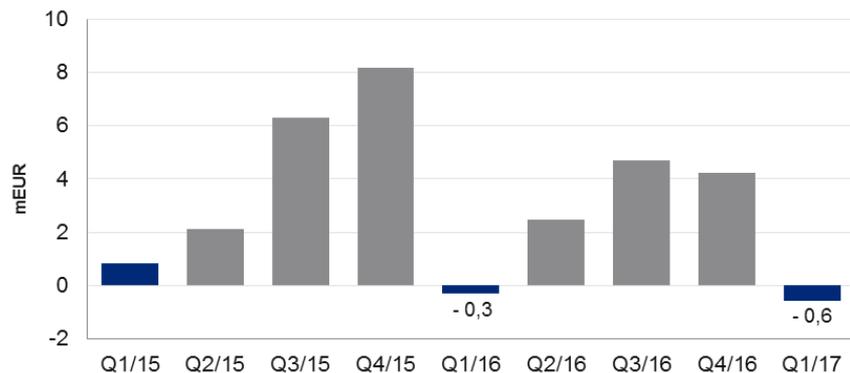


# Group comparable EBIT

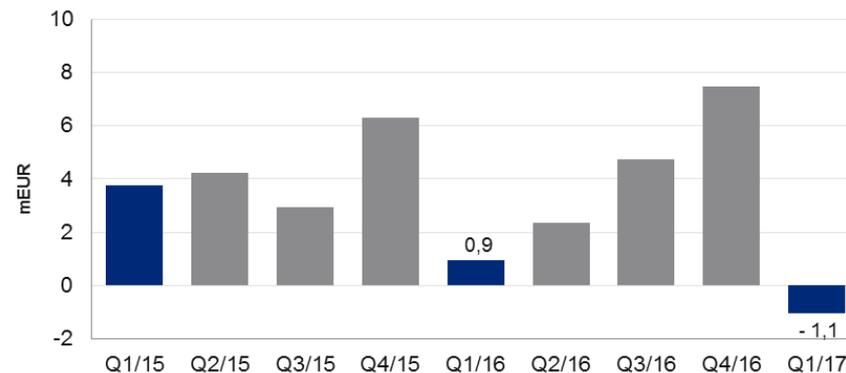


# Comparable EBIT by market area\*

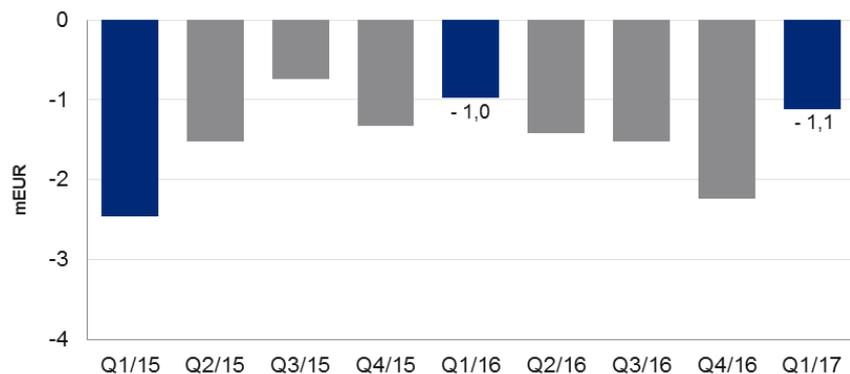
## Sweden



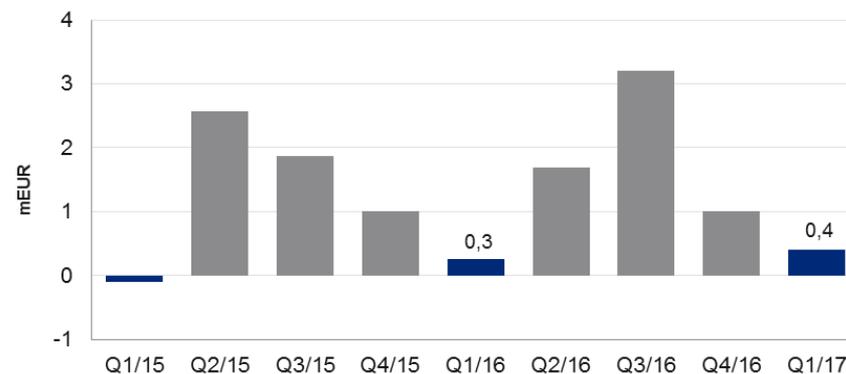
## Finland



## Denmark

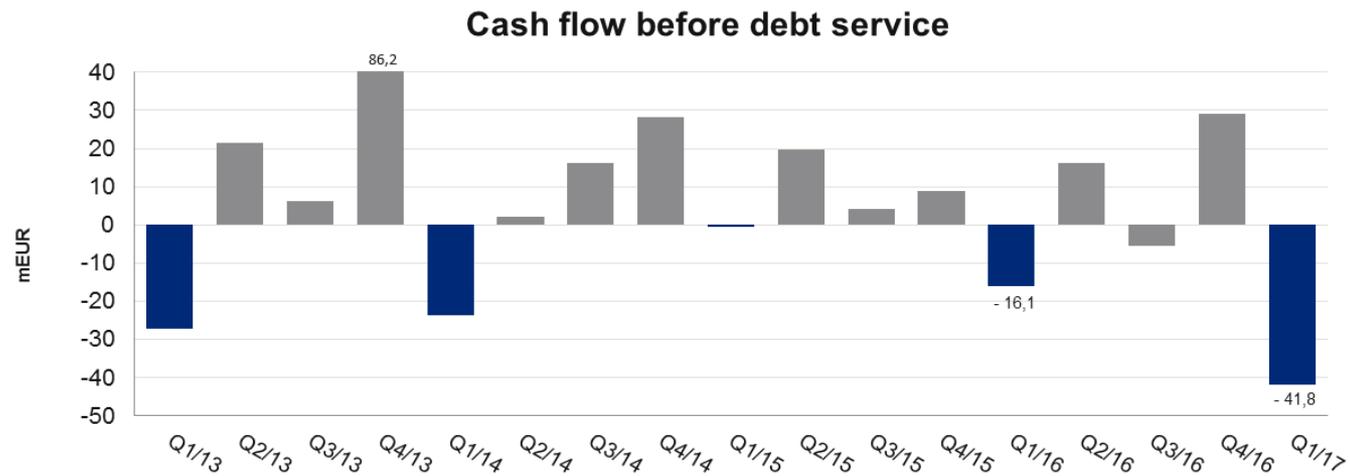
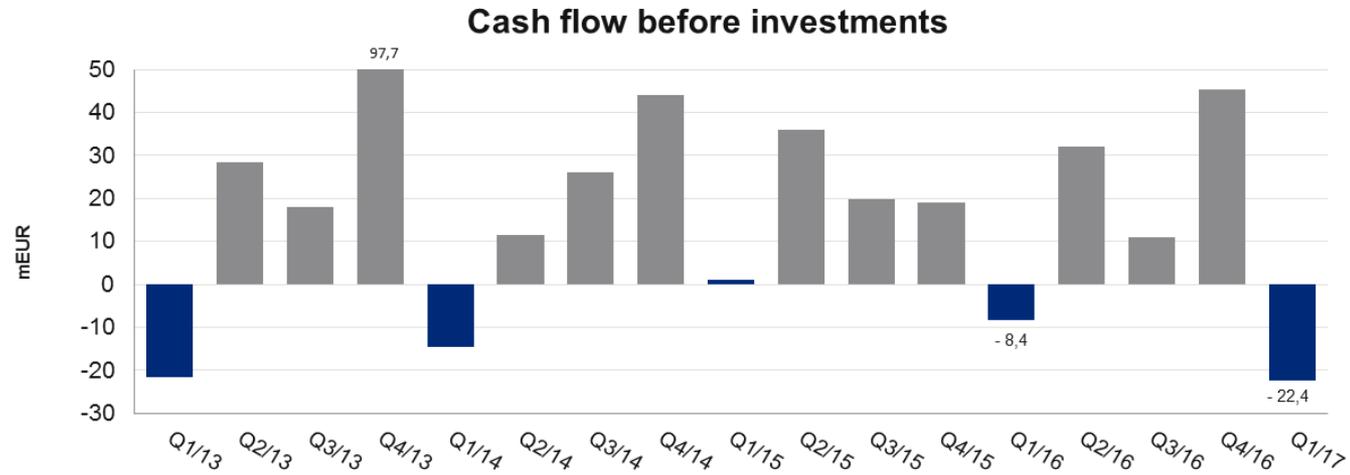


## Baltics



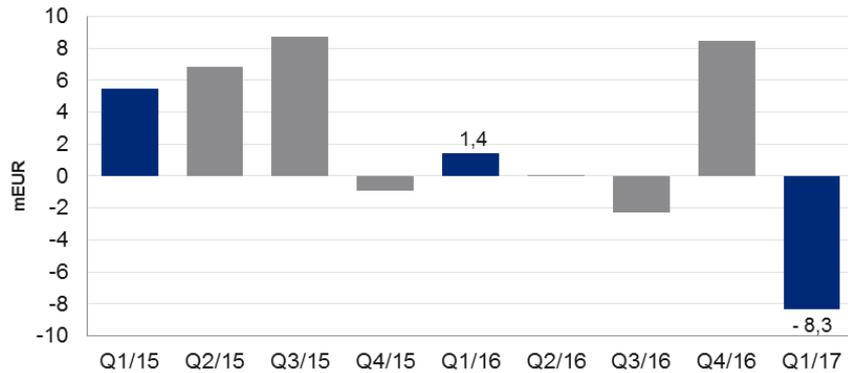
\*Restated according to group margin principle

# Group cash flow

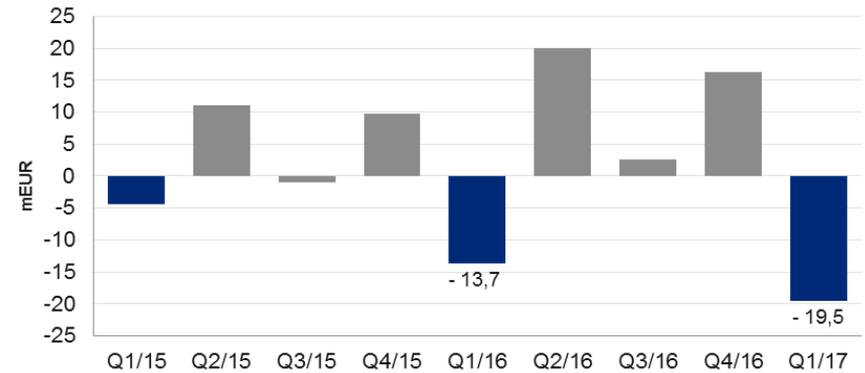


# Cash flow before debt service by market area

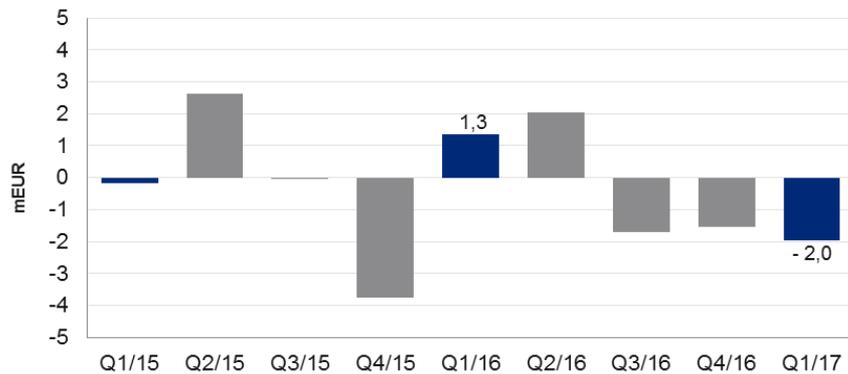
## Sweden



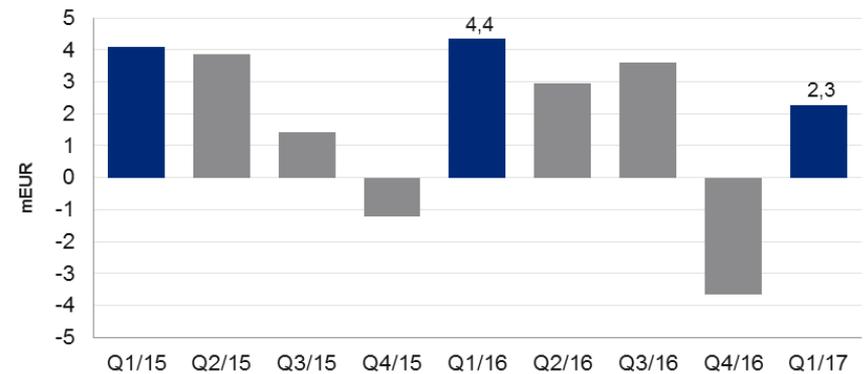
## Finland



## Denmark

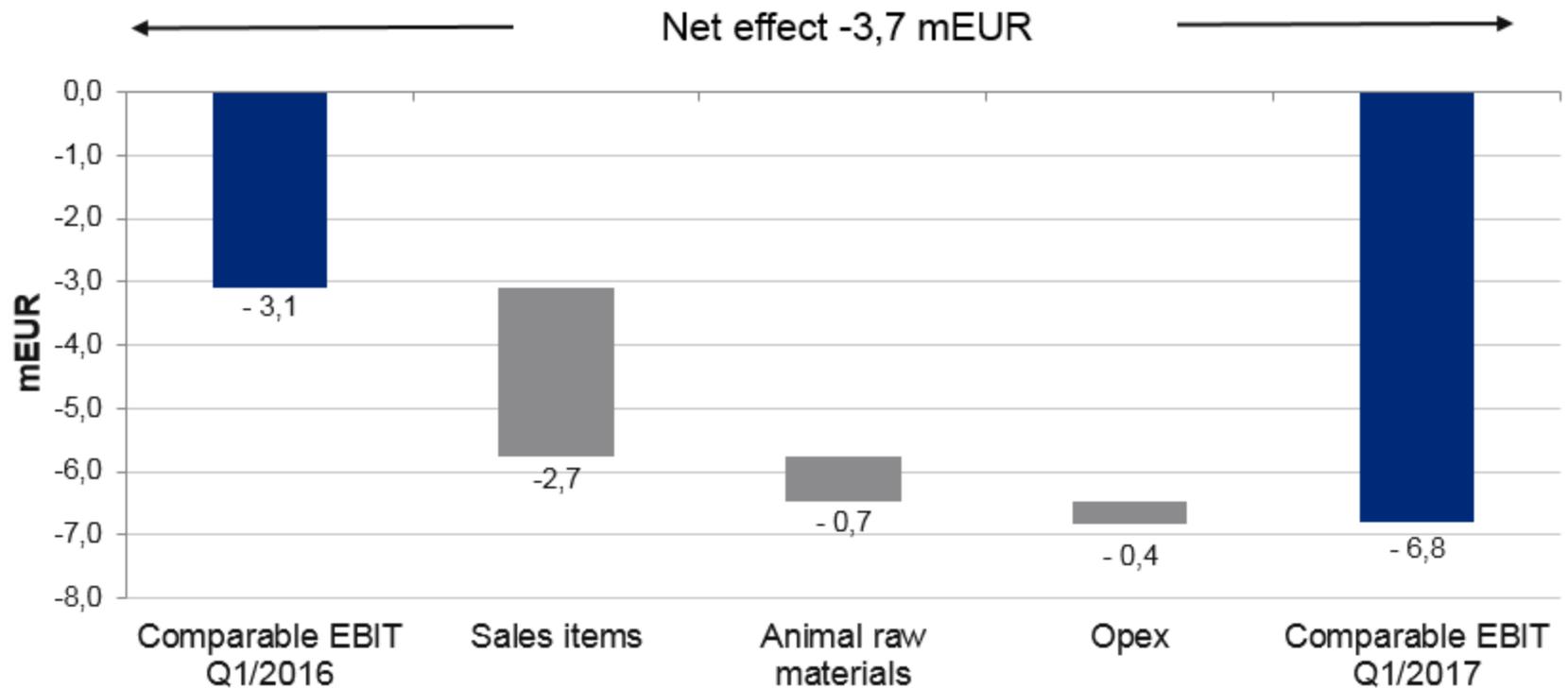


## Baltics

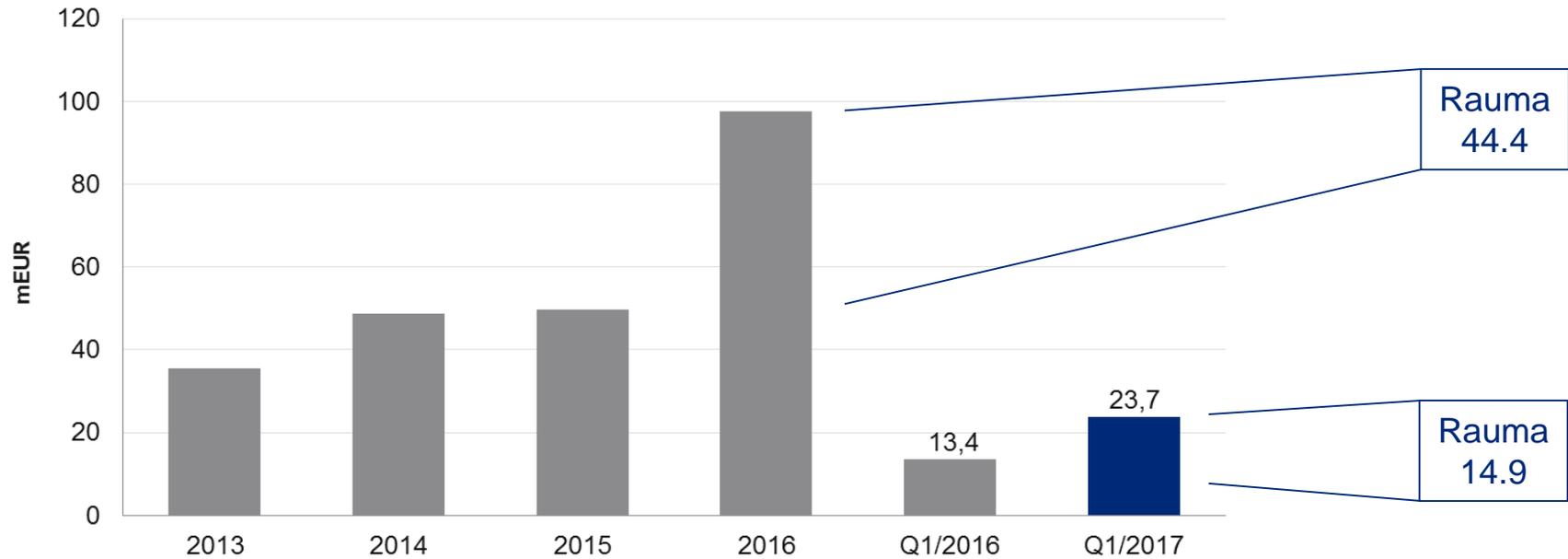


# Group EBIT

## Q1/2016 vs Q1/2017



# Group capital expenditure



# Financial performance

## HKScan financial targets

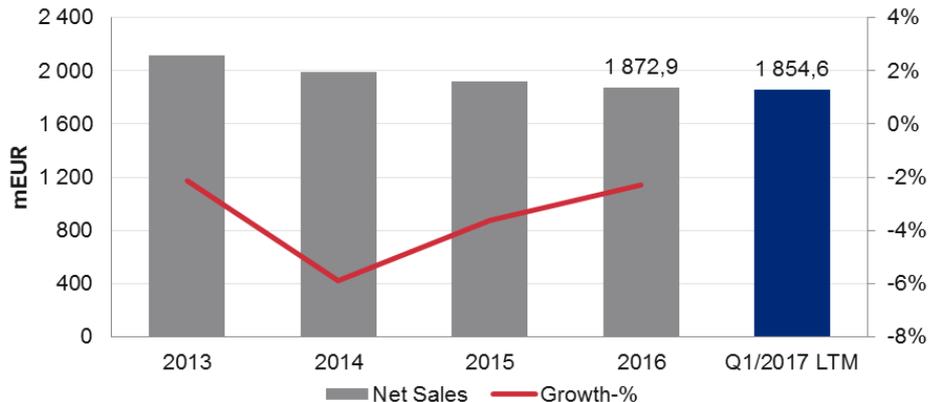
EBIT (operating profit)  
more than 4%

Return on Capital Employed:  
greater than 12%

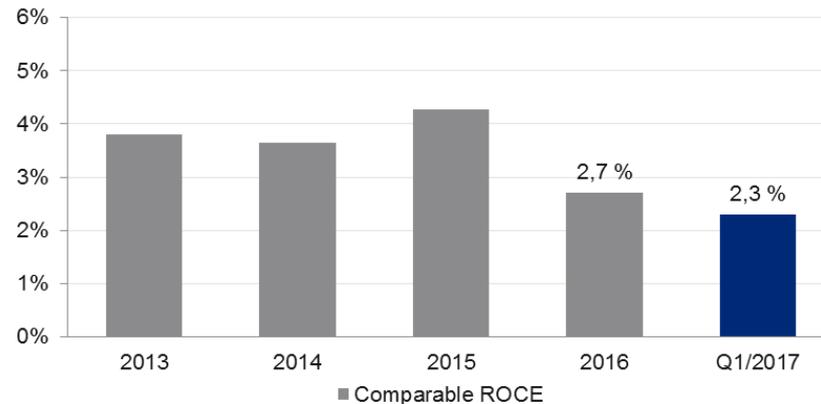
Net gearing:  
less than 100%

Dividend Policy:  
at least 30%  
of net profit

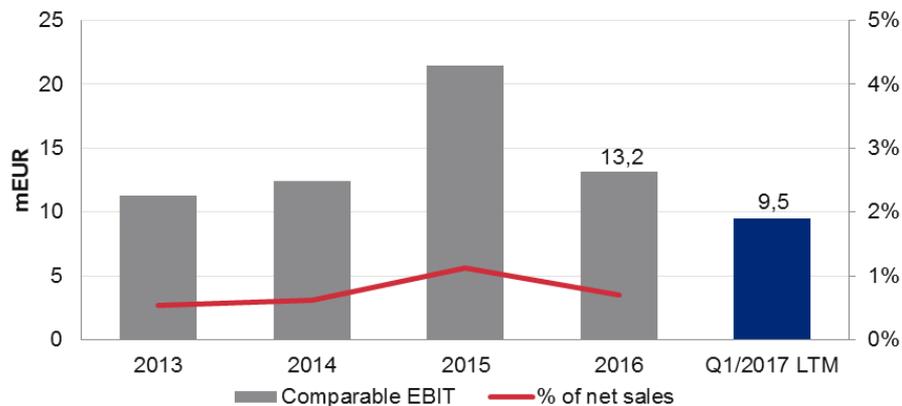
### Net Sales



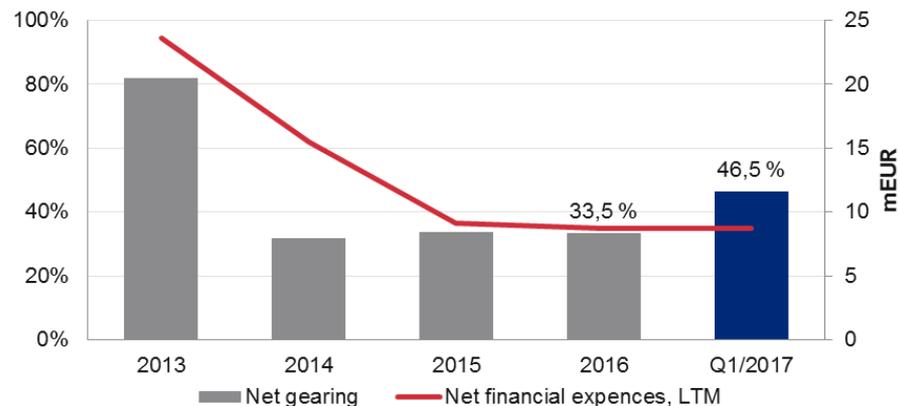
### ROCE



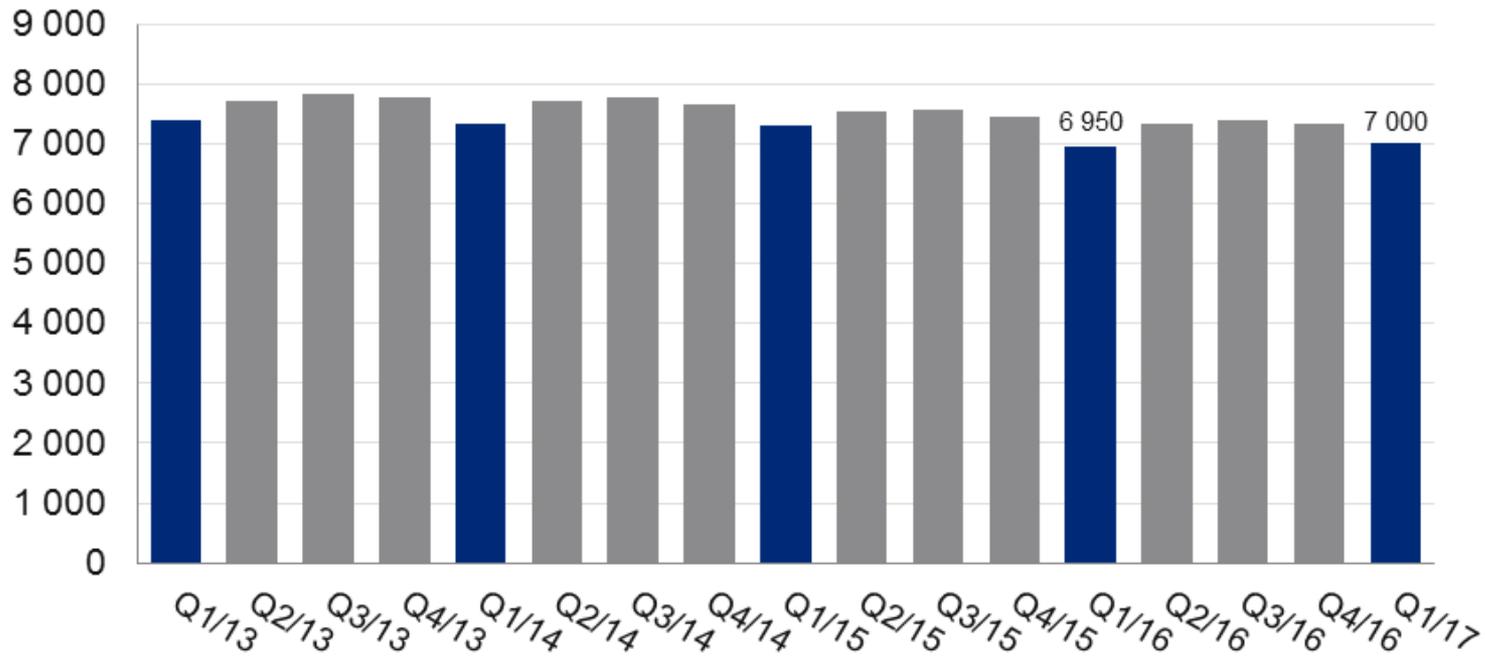
### Comparable EBIT



### Net gearing

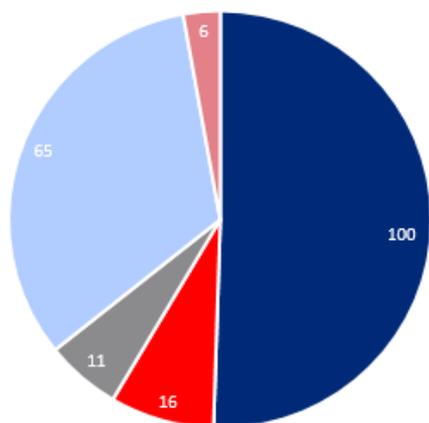


# Personnel



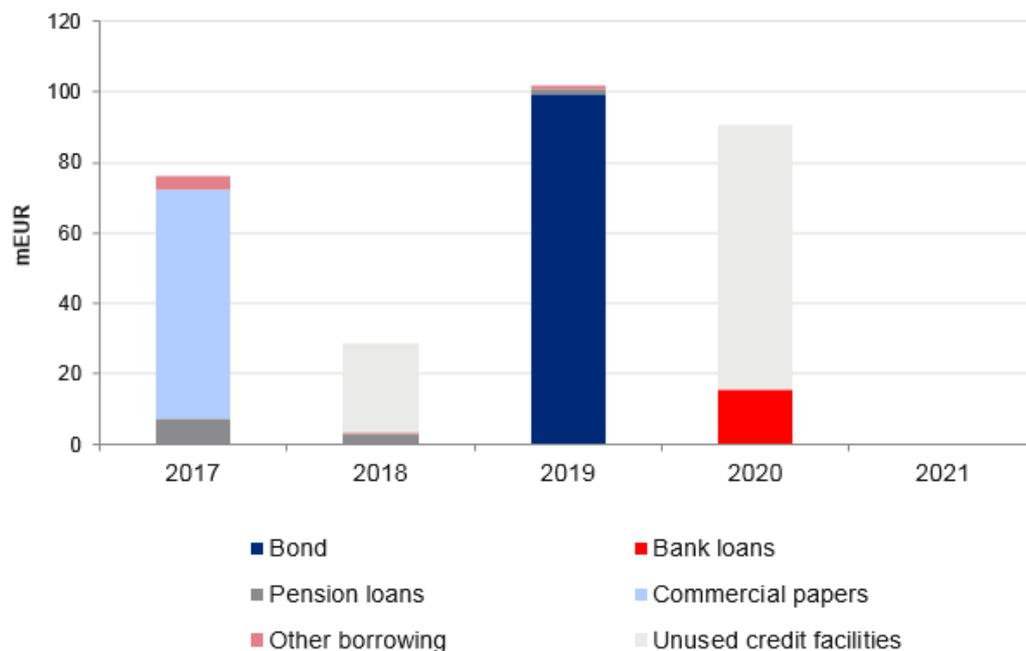
# Interest-bearing debt and maturity structure

Interest-bearing debt by credit type



Total interest-bearing debt: 197,4 mEUR

Maturity of Group's interest-bearing debt (EUR million)



# Outlook for 2017

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- HKScan aims to reach the comparable operating profit (EBIT) of the year 2016 (EUR 13.2 million)

A photograph of a brown and white cow standing in a green field. In the foreground, the backs of several people are visible, slightly out of focus. The cow is looking towards the camera.

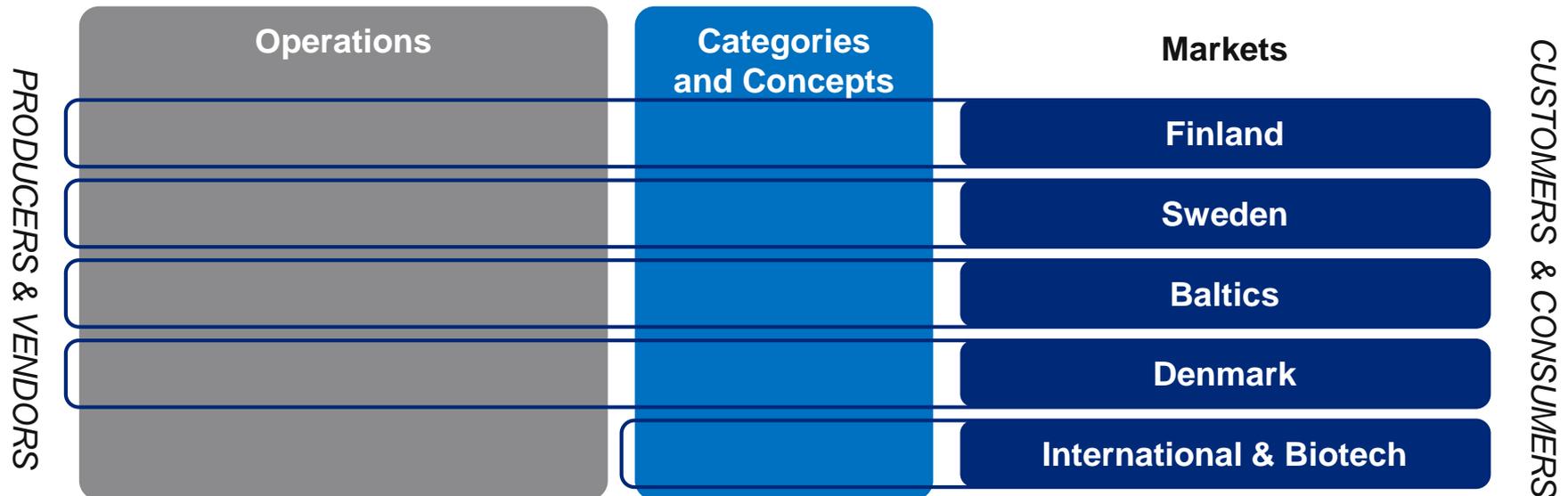
# **HKSCAN**

## **Leading food value chain – From farm to fork**

**Jari Latvanen, President and CEO  
3 May 2017**

# Statutory negotiations completed

## New operating model will be in place on 1 June 2017



- As announced on 8 Feb. 2017, HKScan initiated a review of the Group's operating model
- We have now finalised the review process, including country-based statutory negotiations
- A partial re-organization will be embarked and new operating model will be implemented
- The Group-wide headcount reduction will be 160 persons

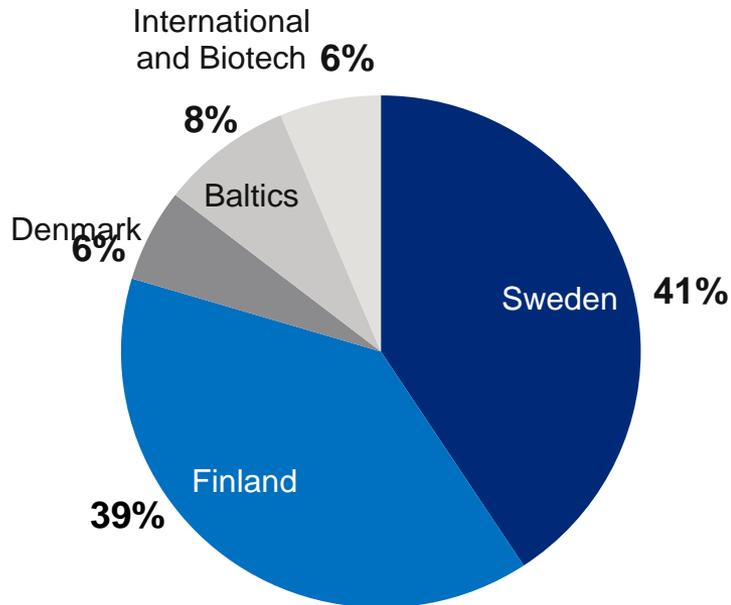
*Communicated today, 3 May, by a stock release*

# Development roadmap is proceeding according to plan



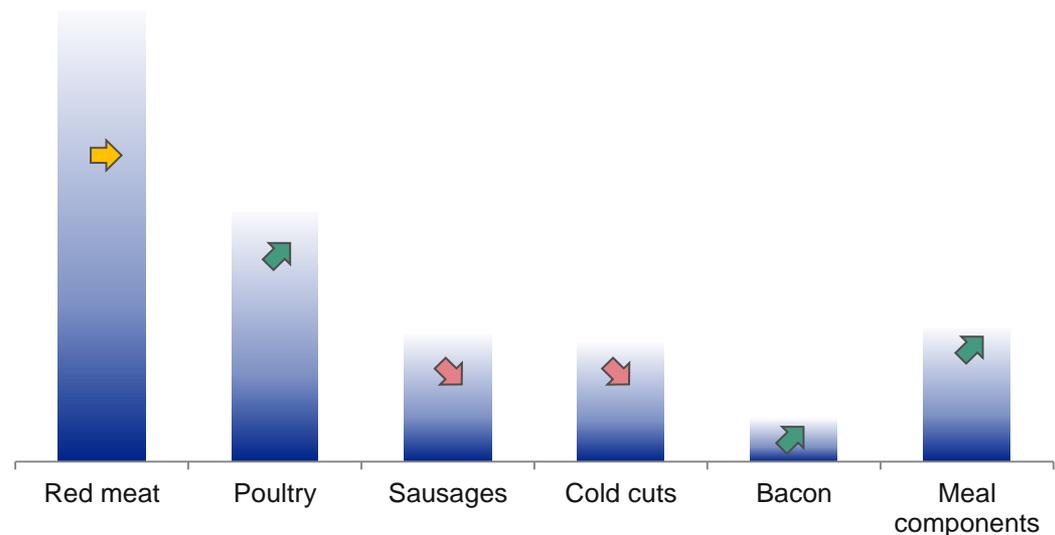
# We are the market leader in our countries of operation

## HKScan's net sales 2016



- HKScan reaches consumers through retail, away from home, and industrial channels
- Total sales were nearly EUR 1.9 billion in 2016

## Net sales and market development direction of main categories in HKScan home markets 2016



- Poultry and Meals are the strongest growing categories that HKScan is active in
- There is a need to revitalise Red meat

# How do we differentiate and create competitive edge?

## Our way of working

**Secured and  
differentiated  
supply**

**Operational  
excellence**

**Commercial  
excellence**



# We are committed to develop our farming community ensuring high quality and sustainable food supply



## Secured and differentiated supply

- **Personal collaboration and partnerships** combined with a **wide range of professional producer services** enable:
  - Leading **quality, sustainability, traceability and animal welfare**
  - Fast development of **differentiated** and commercially successful **concepts**
  - **World-class productivity** and jointly optimised processes
- **Examples of the successes include:**
  - **100% antibiotic-free grown poultry** production in Finland since 2010
  - First **100% antibiotic-free grown pork** also launched
  - Rypsiporsas® rapeseed-fed pork chain in Finland to use **locally grown grain combined with fully domestic protein sources**: rapeseed, broad beans and peas
  - By the end of 2018, all soy used in our meat value chain will be responsibly produced (RTRS or ProTerra). HKScan Sweden and Finland already use **100% responsible soy**

# We are dedicated to building an efficient and sustainable operations network



## Operational excellence

- We are increasing production **capacity** in strategic areas and improving **productivity** in all areas
- State of the art **technology** will support innovation and product development processes
- **Health and safety, environmental performance** and **animal welfare** will be enhanced
- **Continuous improvement** actions remain as part of our daily work
- We will evaluate our **operational footprint** against strategic needs
- **Examples include:**
  - Strategic investments in poultry production plant in Finland and in bacon production plant in Poland
  - Systematic reduction of greenhouse gas emissions, waste and water consumption
  - Plant level investments in animal welfare

# Our ambition is to be the consumer's first choice in food

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## Commercial excellence

- We will continuously develop superior **consumer insight**
- We invest in close customer collaboration and **partnerships** for the benefit of both parties
- We will strengthen our **innovation** and product development capabilities
- We leverage opportunities in **growing categories**
- We focus on our **quality, sustainability and taste** in everything we do
- Our ambition is to build a stronger role in different channels for **improved consumer interaction**
- **Examples include:**
  - Enhanced **branded sales to Asia**
  - **New export licences**
  - **Extensive consumer studies** strengthening our insight



# Consumer insight

# Global trends are driving the change

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**Growing population**



**Urbanisation**



**Digitalisation**



**Income growth**



**Climate change**



**New lifestyles**



**Eco awareness**

# Consumer insight guides our product development

## Examples of consumer trends



**Food is trendy**



**Convenience**



**Wellbeing**



**Conscious consumerism**



**Indulgence**



**Value for money**

Source: Pond

# We have a rich set of data covering consumers attitudes and behaviour



## Attitudes to Food, Cooking & Meat

e.g. convenience, creativity, health & nutrition, indulgence, taste, family, price, treat, social eaters, meat lovers, organic food



## Current Consumption Behaviour

e.g. current meat consumption, changes over time, dietary behaviour



## Occasion specific behaviour

e.g. what was consumed, when did the occasion take place, who was there, where did it take place, what were the needs on this occasion

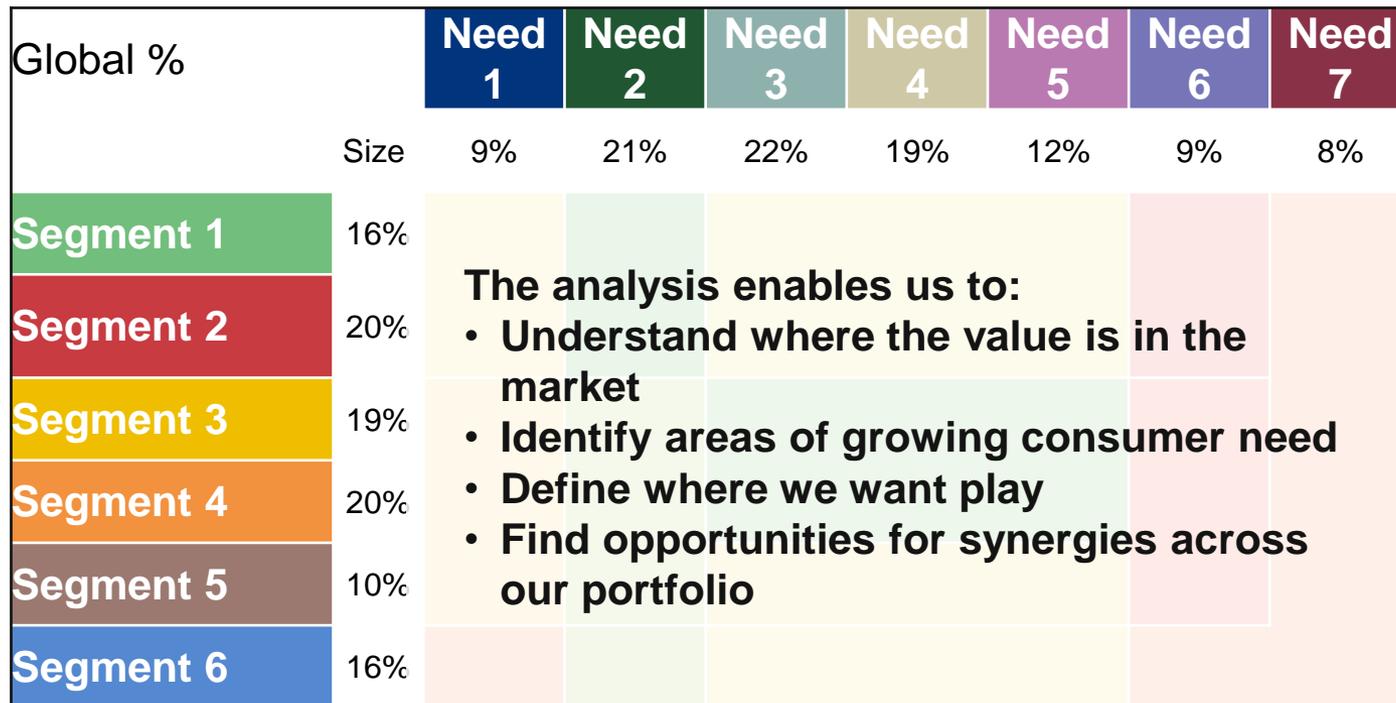


## Shopping behaviour

e.g. shopping patterns, store choice, shopping criteria, spend on groceries and meat

# Consumer segments and need states will guide us to focus on most attractive opportunities

→ A consistent framework covering all our markets, based on extensive consumer research



A photograph of a man and a woman looking out over a harbor town at sunset. The man is wearing a red and white striped shirt, and the woman is wearing a dark blue sweater with white and red patterns. They are standing on a grassy bank, and a wicker basket is visible in the foreground. The background shows a harbor with many boats and houses with red roofs, all under a soft, golden light from the setting sun.

# Inspire, Lead, Care