
Lindt & Sprüngli: Double-digit sales growth and new buyback program of CHF 1 billion

Media Release Half-Year 2022 | Ad hoc announcement pursuant to article 53 LR | July 26, 2022

- Organic sales growth of +12.3% to CHF 1.99 billion (+10.7% in CHF)
- Increase of operating profit (EBIT) by +33.4% to CHF 185.2 million; EBIT margin 9.3% (previous year: 7.7%)
- Net income increased by +36.2% to CHF 138.4 million
- Market share gains in all regions
- New buyback program for registered shares and participation certificates of CHF 1 billion from August 2, 2022, until July 31, 2024, at the latest

Kilchberg, July 26, 2022 - **Lindt & Sprüngli generated in the first half of 2022 an organic sales increase in comparison to the previous year of +12.3% to CHF 1.99 billion and an increase in operating profit of +33.4% to CHF 185.2 million. Net income improved by +36.2% to CHF 138.4 million, reflecting thus once again a very good company performance. These results were achieved in a challenging economic environment, characterized by continued supply chain bottlenecks for raw and packaging material, increasing inflationary pressure, cost increases for energy and logistics and the effects of the war in Ukraine. The cornerstones of our success were once again the strong commitment of our more than 14,000 employees, our clear focus on premium quality and consumer needs, the launch of innovative products and further expansion of geographic distribution. Given the ongoing high free cash flow and the strong balance sheet, Lindt & Sprüngli initiates a new buyback program for registered shares and participation certificates of CHF 1 billion.**

The positive growth trend of the global chocolate markets progressed unchanged in the first half of 2022. The main drivers were volume growth and price increases in roughly equal measure. The above-average increase of the premium segment continued unabated. Lindt & Sprüngli as leading company in this segment benefitted from this. As a result, Lindt & Sprüngli further expanded its market shares in all three geographic segments.

The seasonal business in the first half of the year, such as Valentine's Day, especially Easter, followed by Mother's Day, is very important for Lindt & Sprüngli and developed very well. These gift-giving occasions could once again be celebrated without restrictions among family and friends in most countries. As a result of these developments, the product mix shifted in the last six months in favor of the higher-priced pralines gifting products. Our Lindor products in particular benefited from this. In contrast, sales of products for personal consumption, such as Excellence bars, grew less strongly. As a result of the sharp cost increases in the first half of the year, particularly for packaging materials, logistics, energy, and some raw materials, Lindt & Sprüngli had to raise sales prices to our trading partners in most countries – despite our substantial efforts to improve efficiency.

High organic sales growth in all three geographic segments

In the segment "Europe", Lindt & Sprüngli achieved organic sales growth of +9.1% to CHF 980.1 million. Our core markets Germany and Italy reached double-digit sales growth thanks to the good Easter business. The Swiss market also recorded good sales growth, particularly on gift-giving occasions. In the Italian market, the integration of Caffarel in Lindt & Sprüngli Italy as well as the acquired retail operations of S.T. S.p.A. retail stores were successfully completed, thus laying the foundation for accelerated growth in the future. The smaller subsidiaries in Austria, Central Eastern Europe, Poland, and Benelux continue their successful track record and all show double-digit growth.

The "North America" region recorded a double-digit organic sales increase of +15.2% to CHF 739.1 million. The Lindt companies in the USA and Canada as well as Ghirardelli are standing out, as they grew at an above-average rate. Russell Stover, on the other hand, was able to keep sales around previous year's levels. Thanks to improvements related to the recruitment of employees as well as in the supply chain, the basis for future growth was laid. The North American market thus became the absolute strongest growth driver for the company, and Lindt & Sprüngli further expanded its leading position as premium manufacturer in the world's largest chocolate market. Thanks to our activities, demand for premium chocolate generally accelerated in this market. As a result, the Lindt & Sprüngli companies recorded particularly strong seasonal sales increases on the gift occasions of Valentine's Day and Easter. In addition, prices in North America were adjusted in the reporting period to reflect the sharp rise in costs due to inflation.

The segment "Rest of the World" increased sales organically by +16.9% to CHF 272.5 million. Noteworthy are the companies in Japan, China, Brazil, and the duty-free business, all of which posted good double-digit sales growth. The duty-free business benefited from the renewed rise in worldwide passenger traffic at airports and was able to increase sales accordingly with an attractive range of products.

Costs and investments

In terms of operating costs, Lindt & Sprüngli was impacted by rising global inflation primarily in the areas of production and logistics. In the case of raw materials, this mainly affected milk powder and sugar prices. In the packaging materials sector, the generally high demand led not only to increased prices but also to delivery delays and longer delivery times. Last but not least, the rise of the energy costs also led to higher logistics expenses. Thanks to long-standing relationships with our suppliers, a forward-looking procurement strategy, and great efforts on the part of our employees at our production sites, Lindt & Sprüngli succeeded in maintaining its ability to deliver to our customers at all times. Despite efficiency improvements in production, inflationary cost pressure will ultimately lead to further price increases for our products.

To secure future growth targets, the Lindt & Sprüngli Group is continuing to invest in the expansion of its group-wide infrastructure. Our most important major project – the expansion of our world's largest cocoa liquor plant in Olten – is proceeding according to plan and will be available for the sustainable supply of all European production sites from 2024 on. At the same time, the capacity expansion of our Lindt production site in Stratham in the USA for the North American market is also continuing with high priority.

Financial results

Lindt & Sprüngli increased its operating result (EBIT) in the first half of 2022 by +33.4% to CHF 185.2 million (previous year: CHF 138.8 million). This corresponds to an EBIT margin of 9.3% (previous year: 7.7%). After deducting essentially unchanged interest expenses and tax rates, net income increased by +36.2% to CHF 138.4 million (previous year: CHF 101.6 million). Free cash flow reached CHF 204.0 million (previous year: CHF 227.9 million) and a margin of 10.2% (previous year: 12.7%). Free cash flow lies slightly behind the previous year's figures, as volatile supply chains require a temporary increase in inventories. The balance sheet total decreased seasonally to CHF 7.70 billion as of June 30, 2022 (December 31, 2021: CHF 8.96 billion) and the equity ratio was reduced slightly to 57.0% (December 31, 2021: 58.3%).

Buyback program for registered shares and participation certificates

The buyback program for registered shares and participation certificates in the amount of CHF 750 million, which started approximately one year ago, was successfully completed as of June 21, 2022. A total of 629 registered shares and 65,014 participation certificates were repurchased, the cancellation of which was resolved as part of a capital reduction at the Annual General Meeting in April 2022 respectively will be proposed at the Annual General Meeting in April 2023.

In view of the continuously high free cash flow, an expected positive net liquidity at the end of 2022 and the strong balance sheet, the Board of Directors of Chocoladefabriken Lindt & Sprüngli AG decided in its meeting on July 25, 2022, to start a new buyback program for Lindt & Sprüngli registered shares (RS) and participation certificates (PC) in the amount of up to CHF 1 billion. The buyback will start on August 2, 2022, and last until July 31, 2024, at the latest. For the buyback, a separate trading line will be opened on the SIX Swiss Exchange AG for each of the registered shares and the participation certificates. The Board of Directors intends to propose the capital reduction by cancellation of the repurchased registered shares and participation certificates at future Annual General Meetings.

Sustainability

As a premium chocolate manufacturer, we are committed to our company purpose "We enchant the world with chocolate". This is inseparably linked to our quality standards as well as sustainable and socially responsible business practices. Already in 2020, Lindt & Sprüngli has reached its important milestone of sourcing 100% of its cocoa beans fully traceable and externally verified under its own Farming Program.

Our Lindt & Sprüngli Farming Program involved at the end of 2021 more than 91,000 cocoa farmers (2020: 80,000) in seven countries of origin. We are working to achieve our goal of improving the livelihoods of cocoa farmers, their families, and communities in a complex environment through our efforts and continuously increasing financial investments. As part of our sustainability efforts, we give the highest priority to combating child labor. This includes, in particular, training and awareness-raising measures for the cocoa farmers and their communities.

Lindt & Sprüngli has committed to reducing the greenhouse gas emissions of its business activities in accordance with the Science Based Targets (SBT) Initiative. With this in mind, we have partnered with external experts and in line with official standards to develop our first complete carbon footprint for the base year of 2020 (Scope 1, Scope 2 and Scope 3 emissions). Based on this footprint, a concrete plan of measures and a roadmap for the reduction of greenhouse gas emissions will be announced in Spring 2023.

Detailed information on our sustainability strategy, commitments, progress and results can be found in the recently published Sustainability Report 2021 at: <https://www.lindt-spruengli.com/amfile/file/download/id/6775/file/Lindt-Spruengli-Sustainability-Report-2021.pdf>

Outlook

For the full year 2022, Lindt & Sprüngli expects organic sales growth in the range of 8-10% (previously 6-8%) with an operating profit margin of around 15%. These assumptions are based on expectations that the present geopolitical tensions will not increase further and that the existing supply chain bottlenecks will improve slightly in the second half of the year. For the coming years, the company confirms its medium- to long-term organic sales growth target of 6-8% with an improvement in the operating profit margin of 20-40 basis points per year.

Links to Half-Year Report 2022:

<https://www.lindt-spruengli.com/investors/financial-reporting/publications>

or

<https://www.lindt-spruengli.com/amfile/file/download/id/6880/file/Half-Year-Report-2022-EN.pdf>

Next publication: Full-Year Results 2022, on Tuesday, March 7, 2023, 7:00 a.m.

Media Contact | +41 44 716 22 33 | media@lindt.com

Investors Contact | +41 44 716 25 37 | investors@lindt.com

About Lindt & Sprüngli

Lindt & Sprüngli has been enchanting the world with chocolate for over 175 years. The traditional Swiss company with its roots in Zurich is a global leader in the premium chocolate sector. Today, Lindt & Sprüngli produces quality chocolates at its 11 factories in Europe and the USA. Its products are sold by 32 subsidiaries and regional offices, in around 500 of its own shops, as well as via a network of more than 100 independent distributors around the globe. With more than 14,000 employees, the Lindt & Sprüngli Group reported sales of CHF 4.59 billion in 2021.