



Quarterly Statement Q3 2022

Veganz with declining nine-month business in 2022 due to ongoing economic slowdown

- Missing discount business, growth in food service
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(Berlin, 15 November 2022) Veganz Group AG ([vegan.de](https://www.vegan.de)), the only multi-category supplier of vegan food in Europe, continued to suffer from a persistently weak economic environment in the third quarter of 2022. Whereas in the first few months of the year the food retail and discount sectors focused on ensuring basic supplies for the population, the Company's young core target group (Generation Z and Millennials+) have recently been hit particularly hard by the current price increases due to their lower incomes. Overall, these developments made the new listing of Veganz products and the planning of promotional activities in the discount sector difficult during the first nine months of 2022. Due in particular to the lack of promotional business and the dwindling propensity of consumers to purchase goods, Veganz Group sales of EUR 18.7 million in the first nine months of 2022 were down on the previous year (prior year: EUR 24.5 million). Likewise, sales at the individual company level of Veganz Group AG decreased to EUR 17.1 million (prior year: EUR 22.6 million). The number of points of sale (POS) as of 30 September 2022 decreased to 23,367 (31 December 2021: 25,199), whereby the decline of 2,452 POS in the discount sector due to the absence of promotional business was partially offset by the increased number of POS in the Company's regular business. In a year-on-year comparison, the growing number of POS in its regular business more than compensated for the decline in its discount business by 1,272 POS (prior year: 23,139).

Lack of discount business, further growth in food service

In the first nine months of 2022, food retail continued to account for the largest share of sales at 67 percent (prior year: 62 percent), with drugstores in second place at 25 percent (prior year: 24 percent). With a sales share of 7 percent (prior year: – percent), the food service distribution channel achieved encouraging growth – at a time when many sporting events and company restaurants have continued to face, or are again facing, limited guest numbers and restrictions due to the ongoing COVID-19 pandemic. In addition to its cooperation with the German airline Eurowings since May 2022, Veganz has also been cooperating with the foodvenience provider Valora since June 2022, which offers a selection of Veganz snacks at kiosks and petrol stations in Germany and Switzerland. Complementing the existing contract with Bakerman GmbH, the Company has also further expanded the product category of vegan baked goods – such as plant-based cakes, tarts, muffins and donuts, which are then also offered in food retail and food service – under the newly concluded trademark licence agreement with Hack AG.

Compared to the same period last year (with exceptionally strong promotional business), the Company's discount business in Germany, in which it does not yet have any fixed listings, continued to suffer disproportionately with a share of sales of 1 percent in the first nine months of 2022 (prior year: 14 percent). Nevertheless, the initial test promotions with ALDI France in the third quarter of 2022 were encouraging.

in EUR million	9M 2022	9M 2021
Food retail	11.4	13.9
Drugstore	4.2	5.5
Discount	0.2	3.1
Food service	1.2	-
Total	17.1	22.6

Focus on Germany and Europe

With a 91 percent share of sales, the DACH region (Germany, Austria, Switzerland) was once again the most important market in the first nine months of 2022 (prior year: 92 percent). At 82 percent, Germany remained the largest single market and continues to be the main focus (prior year: 79 percent). At 9 percent, the share of sales in the rest of Europe was slightly up on the previous year (prior year: 7 percent). This is an area in which Veganz sees further potential: after being listed with the supermarket chains AB Basilopoulos, Market In, Sklavenitis and Krhtikos in Greece, among others, the Company has initially declared France as a further target market. Here, the Company already ran test campaigns with ALDI France in the third quarter of 2022 and is working on the further expansion of distribution.

in EUR million	9M 2022	9M 2021
DACH	15.5	20.8
Rest of Europe	1.6	1.5
Rest of world	0.0	0.2
Total	17.1	22.6

Development of earnings

The gross profit margin of Veganz Group AG decreased to 28.2 percent in the first nine months of 2022 (prior year: 31.3 percent), due in part to price increases imposed by suppliers. However, Veganz was able to partially offset these higher purchasing costs by negotiating prices with customers. With slightly higher marketing expenses of EUR 2.9 million (prior year: EUR 2.6 million), EBITDA and EBIT decreased to EUR -8.7 million (prior year: EUR -4.6 million) and EUR -9.5 million (prior year: EUR -5.4 million). In addition to the decline in sales, this was mainly due to increased costs for the sales force, which was significantly expanded in the meantime compared to the previous year. The net loss for the period was EUR 9.9 million (prior year: net loss of EUR 6.2 million). Net cash and the equity ratio were EUR 4.1 million as of 30 September 2022 (31 December 2021: EUR 16.2 million) and 43.6 percent (31 December 2021: 53.3 percent), respectively.

Third production facility opened

In addition to the first production facility for cheese alternatives in the heart of Berlin, which focuses on the production of vegan cashew-based camembert, and the production facility in Neubrandenburg, where Veganz has been producing Veganz "Räucherlaxs", a sustainable algae-based fish alternative, since June 2022, the Company opened its third in-house production facility on 4 October 2022 in Spielberg, Austria. As demand from retailers and consumers for "Cashewbert" exceeded the capacity of the production facility in Berlin, which already opened in 2020, the cheese alternative is now being produced at a further production site, from where it will primarily serve the demand of retail partners in Austria, Switzerland, Italy and Slovenia.

Set of measures extended

In view of the changed market environment, Veganz has initially introduced three major measures: stopping investments for the construction of the planned Veganz Food Factory at Werder (Havel), downsizing the field sales force and reducing planned marketing activities and costs.

While steadily expanding its smaller, temporary facilities for the in-house production of meat, fish, cheese and egg alternatives, the Company is in negotiations for a suitable location in the German state of Brandenburg in order to implement the completed production planning for the Veganz Food Factory there on new terms.

The number of field sales staff was 34 on 30 September 2022 (prior year: 47) and will gradually decrease to approximately 20 employees by April 2023.

Marketing activities were essentially reduced to targeted online marketing measures to reach the defined core target group. Extensive campaigns with high scattering effect were suspended.

To identify further optimisation potential, Veganz has also set up a cost reduction and efficiency improvement program. Necessary improvements in company-wide structures and processes, as well as measures to increase profitability and competitiveness, are to be successively implemented in a focused manner.

In a further step, the Company has therefore decided, for reasons of profitability and efficiency, to significantly reduce the store business of Veganz Retail Berlin GmbH & Co. KG: of the three existing Veganz stores in Berlin, two will be closed by the beginning of 2023. Only the branch at the headquarters in Warschauer Strasse, which continues to be well frequented, will remain.

“The challenges in the current market environment remain high. That is why we are using our agility as a comparatively small company to quickly and systematically initiate and implement the necessary measures – even if it sometimes hurts,” says Jan Bredack, founder and CEO of Veganz Group AG. “Our absolute priority is to take the necessary steps to strengthen our operational performance in the long term and sustainably and to increase the value of the company with further liquidity- and efficiency-enhancing measures.”

Guidance 2022 confirmed

Depending on the macroeconomic conditions, Veganz continues to expect a significant decrease in sales for the fiscal year 2022, both at Group level and at individual company level of Veganz Group AG (prior year: EUR 33.5 million and EUR 30.4 million, respectively), and a slight year-on-year decrease in EBITDA (prior year: EUR -9.8 million). Due to its adapted marketing activities, the Company no longer anticipates a general expansion of brand awareness, but rather a target group-specific increase in awareness of the Veganz brand in the fiscal year 2022.

in EUR million	Veganz Group AG		Veganz Group	
	9M 2022	9M 2021	9M 2022	9M 2021
Sales	17.1	22.6	18.7	24.5
Adjusted EBITDA	-8.4	-3.4	-8.6	-3.4
One-off expenses	0.3	1.2	0.3	1.2
EBITDA	-8.7	-4.6	-9.0	-4.6
Net loss for the period	-9.9	-6.2	-10.2	-6.3
Gross profit margin	28.2%	31.3%		
Net cash ¹	4.1	16.2 ²		
Equity ratio	43.6%	53.3% ²		

¹ Including long-term financial liabilities, i.e. €10m Bond maturing in February 2025 and €2m Crowd funding maturing in December 2023

² As of 31 December 2021

About Veganz Group AG

Veganz ([vegan.de](https://www.vegan.de)) – Good for you, better for everyone – is the brand for plant-based food. Founded in Berlin in 2011, Veganz became known as the European vegan supermarket chain. With a colourful and life-affirming corporate philosophy, Veganz succeeded in opening up the vegan niche and establishing the plant-based food trend on the market. The current product portfolio comprises products from breakfast to dinner and is available in more than half of all European countries and at over 22,000 points of sale (POS) worldwide. In addition, the Veganz product portfolio is continuously optimised with high-quality, innovative items and its sustainable value chain is constantly being improved. For this commitment, Veganz was voted Germany's most innovative food brand in a [Handelsblatt 2021 ranking](#).

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