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Aluflexpack AG achieves solid results in FY 2023 and confirms outlook for 2024

- Audited full-year net sales increased by 6.5% to €380.3m in 2023 (2022: €357.0m), 4.2% organic.¹ Excluding effects from hyperinflation accounting in Türkiye (IAS 29), net sales amounted to €380.6m²
- EBITDA before special effects (SE) increased by 4.4% to €48.6m in 2023 (2022: €46.6m)³
- Operating cash flow amounted to €30.0m (2022: €14.7m), supported by improved trade working capital management
- Organic expansion in Drniš completed and commercial production started; capital expenditures decreased to €34.4m (2022: €53.2m)⁴
- Confirmed outlook for 2024: net sales excluding IAS 29 of €370-410m and EBITDA before SE of €51-56m; focus on deleveraging and generating free cash flow

Aluflexpack AG (the “Group”), a leading manufacturer of premium circular flexible packaging and barrier solutions, is reporting its financial results for

¹ Organic net sales equal Group reported net sales less net sales from Turkish subsidiary Teko, which was acquired on 12 May 2022. In 2023, the effects of Teko’s consolidation on the Group’s reported net sales amounted to €25.5m.

² As of 30 June 2022, Aluflexpack is required to apply IAS 29 “Financial Reporting in Hyperinflationary Economies” to its operations in Türkiye. This includes the adoption of IAS 21 “Effects of Change in Foreign Exchange Rates”.

³ EBITDA before special effects (SE) refers to operating profit before interest, taxes, depreciation and amortisation adjusted for costs and gains considered by management to be non-recurring and/or non-operational. A detailed reconciliation can be found on pages 58-61 of the Annual Report 2023.

⁴ Capital expenditures indicate payments made for purchases of property, plant and equipment (PPE) and intangible assets.

2023 today. Financial year 2023 was characterised by customer destocking and high inflation rates, which in turn eroded consumer purchasing power. The Group increased its audited full-year net sales by 6.5% to €380.3m (2022: €357.0m), of which 4.2% organic, on the back of a solid business performance with its customers. Excluding effects from hyperinflation accounting in Türkiye (IAS29), net sales amounted to €380.6m. In the same period, EBITDA before SE rose to €48.6m, translating to a margin of 12.8% (2022: 13.0%). The Group's EBIT before SE totalled €29.5m in 2023, compared with €26.2m in 2022.⁵ Operational cash flow increased to €30.0m (2022: €14.7m), as a result of improved trade working capital management – in particular a reduction in inventories – and an increase in earnings. Aluflexpack completed its major organic expansion in Drniš (Croatia) and started commercial production. Going forward, the Group will focus on further increasing output and improving operational excellence in its new facility in Drniš. Capex in FY 2023 still included substantial payments in connection with the organic expansion in Drniš and decreased to €34.4m (2022: €53.2m). In 2024, the Group will be focusing on deleveraging its balance sheet and generating free cash flow. In spite of the challenging market environment, the Management Board is confident that business will remain stable and has confirmed its outlook for 2024 dated 15 February 2024.

Growth across all end markets

In today's media release, the Group reaffirms the preliminary sales figures for 2023 published on 15 February: net sales growth of 6.5% to €380.3m (2022: €357.0m). Excluding effects from hyperinflation accounting in Türkiye (IAS 29), net sales amounted to €380.6m. Adjusted for the acquisition of Turkish subsidiary Teko in May 2022, organic net sales growth was 4.2%. Net sales continued to grow across all end markets but were supported mostly by solid developments with existing customers in the Group's Dairy and Confectionery end markets. Following a positive start to the year, demand decelerated in the second quarter of 2023 and was impacted by more cautious consumer spending as a result of a loss of purchasing power of consumers. At the same time, the Group's customers reduced their inventories from the elevated levels built up during the COVID-19 pandemic, which further affected demand levels. Unlike previous years, where volume growth was the primary factor driving Group net sales, growth in 2023 was mainly price-led.

Resilient earnings despite inflationary environment

⁵ EBIT before special effects (SE) refers to operating profit before interest and taxes, adjusted for costs and gains considered by management to be non-recurring and/or non-operational. A detailed reconciliation can be found on pages 58-61 of the Annual Report 2023.

Aluflexpack achieved an EBITDA before SE of €48.6m, up by 4.4% compared with the €46.6m recorded last year. This translates to an EBITDA margin before SE of 12.8% (2022: 13.0%). The increase in EBITDA before SE is attributed to the full-year consolidation of Teko as well as improvements in passing on increased costs, which outweighed the overall inflationary pressure in personnel, energy and other operating costs. In the financial year 2023, the Group's EBIT before SE amounted to €29.5m, up from €26.2m in 2022, equating to a margin of 7.8% (2022: 7.3%).

In the reporting period, the Group recorded a financial result of €-12.1m (2022: €-17.7m). This was primarily driven by net interest expenses of €-8.1m (2022: €-3.3m) and a significantly better other net financial result of €-4.0m (2022: €-14.4m). The latter includes a positive mark-to-market valuation effect from financial instruments used to hedge against the volatility of aluminium prices (€3.8m), net FX effects largely on intercompany loans (€-4.4m) and negative effects from the valuation of put options for outstanding minority shareholders (€-2.9m). Aluflexpack closed the financial year with a net profit of €10.5m (2022: €4.4m).⁶

End of capex cycle and improved trade working capital management

Due to higher earnings and improved trade working capital management, net cash from operating activities increased to €30.0m (2022: €14.7m). Net cash from investing activities amounted to €-33.3m compared with €-84.9m in 2022, including final investments relating to the on-site expansion in Drniš, Croatia. Cash flow from financing activities totalled €18.8m (2022: €78.1m) in the reporting period and included net loan additions from financial institutions to finance the Group's growth projects. These net loan additions were also used to finance other activities, including the purchase of minority stakes in the Group's subsidiaries and payments of interest and lease costs.

With substantial investments made in recent years, the Group has built up a resilient and competitive platform in the flexible packaging industry. Aluflexpack commenced operations in the new production facility in Drniš, which was completed in 2023, and the Group will be focusing on gradually increasing output and improving operational excellence in the future. Capex during the reporting period decreased to €34.4m (2022: €53.2m), corresponding to a capex-to-net sales ratio of 9.0% (2022: 14.9%). In light of the final investments made to ensure the Group's growth trajectory, net debt increased to €152.0m (2022: €123.8m) in 2023, translating to a net debt to EBITDA ratio of 3.0x, and an equity ratio of 40.9% as of 31 December 2023 (2022: 42.9%). During the reporting period, Aluflexpack's capital employed

⁶ Excluding effects from hyperinflation accounting in Türkiye (IAS 29), net profit amounted to €8.8m.

increased mainly due to the investments in the organic expansion in Drniš. Overall, this reduced return of capital employed (ROCE) from 9.9% in 2022 to 8.9% in 2023. At the Annual General Meeting of Shareholders on 22 May, the Board of Directors will propose not to distribute a dividend for 2023, but to use the funds to repay existing loans instead.

Outlook confirmed

The Management Board has confirmed the Group's outlook dated 15 February, stating net sales excluding IAS 29 of €370-410m and EBITDA before SE of €51-56m in 2024. In addition, the Group will be focusing more on deleveraging and generating free cash flow.

Group CEO Johannes Steurer says: "In 2023, we continued to increase sales across all our end markets despite the difficult political and economic climate around the world. The Group has proven its ability to withstand challenges by embracing teamwork and proactively engaging with our customers, suppliers and other stakeholders. As we look ahead, we have every confidence that we will be able to seize opportunities, capitalise on the capacity expansion at the new production facility in Drniš and synergise with the new locations in the USA and North Africa – while continuing our commitment to innovation and sustainability."

Performance indicator ⁷	For the twelve months ending 31 December						
	2017	2018	2019	2020	2021	2022	2023
Net sales (€m)	160.6	181.7	207.9	239.4	266.1	357.0	380.3
Net sales growth (year-on-year; %)	11.4%	13.1%	14.4%	15.2%	11.1%	34.2%	6.5%
Net sales excluding IAS 29 (€m)	-	-	-	-	-	357.6	380.6
EBITDA (€m)	18.1	21.5	19.2	36.4	42.3	48.6	51.0
EBITDA before special effects (€m)	18.1	21.6	29.5	37.4	41.8	46.6	48.6
EBITDA margin before special effects (%)	11.3%	11.9%	14.2%	15.6%	15.7%	13.0%	12.8%
EBIT (€m)	4.3	6.4	0.6	17.4	19.4	23.9	24.1
EBIT before special effects (€m)	5.9	8.0	13.8	20.0	20.3	26.2	29.5
EBIT margin before special effects (%)	3.7%	4.4%	6.6%	8.3%	7.6%	7.3%	7.8%
Result for the period (€m)	0.2	-1.3	-3.4	9.0	14.2	4.4	10.5
Cash flow from operating activities (€m)	14.7	11.9	15.5	26.1	38.3	14.7	30.0
Cash flow from investing activities (€m)	-21.1	-21.2	-32.8	-32.9	-45.9	-84.9	-33.3
Cash flow from financing activities (€m)	8.4	24.4	60.1	-11.5	-20.4	78.1	18.8
Equity ratio (%)	16.1%	13.2%	61.9%	61.6%	60.2%	42.9%	40.9%
Net debt (cash)	82.1	100.5	-12.1	6.0	32.4	123.8	152.0
Total assets (€m)	156.6	196.9	278.4	282.7	301.7	448.0	475.3

⁷ A detailed reconciliation of the reported and adjusted figures, as well as an overview of additional performance indicators, can be found on pages 58-61 of the Annual Report 2023. The balance sheet figures in this table pertain to end-of-period figures.

ROCE (%)	5.9%	6.9%	9.6%	11.7%	10.3%	9.9%	8.9%
Employees (number)	1,001	1,128	1,215	1,296	1,342	1,537	1,602

Upcoming events:

03 May 2024	Q1 Sales Statement
22 May 2024	Annual General Meeting
21 August 2024	Half year results: January to June 2024
05 November 2024	Q3 Sales Statement

Download Aluflexpack's Annual Report 2023:

<https://www.aluflexpack.com/investors-financial-publications/>

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About Aluflexpack AG

Aluflexpack produces flexible packaging solutions for end markets such as Coffee & Tea, Pharmaceuticals, Pet food, Confectionery and Dairy. Its long-lasting customer relationships with locally operating companies and large international corporations alike are underpinned by well-established industry insights, flexibility in customer service and development competence. Headquartered in Reinach (Aargau), Switzerland, Aluflexpack has production facilities in Switzerland, France, Poland, Türkiye and Croatia. It had 1,602 employees as of 31 December 2023.

Disclaimer

Some of the information contained in this press release may be forward-looking in nature. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, meaning that actual results may differ materially from those in this press release as a result of various factors. Aluflexpack AG is not obliged to publicly update or revise any forward-looking statements.