

# ForFarmers Strategy 2025

Resilient in challenging  
home countries;  
expansion to new markets



# Safe harbor statement

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Our mission

# For the Future of Farming



We are confident about the future and the continuity of farming, and hence contribute to a sustainable livestock industry for the long term; one that will continue to serve society for generations to come.

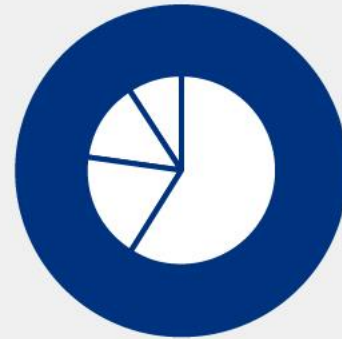
# European leader in Total Feed solutions



**#1 European Total Feed solutions provider**



**Total Feed<sup>1</sup> volume over 10 mT<sup>2</sup>**



**2019 Revenue: €2.5 billion & underlying EBITDA<sup>3</sup>: €88.5 million**



**Servicing over 26,000 farmers**



**Completed 11 acquisitions since 2014**



**Approximately 2,600 employees in 2019**



**Listed on Euronext Amsterdam since 2016**



**Founded in 1896 as a cooperative**



**Based in the Netherlands (head office), Belgium, Germany, Poland and the United Kingdom**



**Received AA rating in the MSCI ESG rating in 2019**

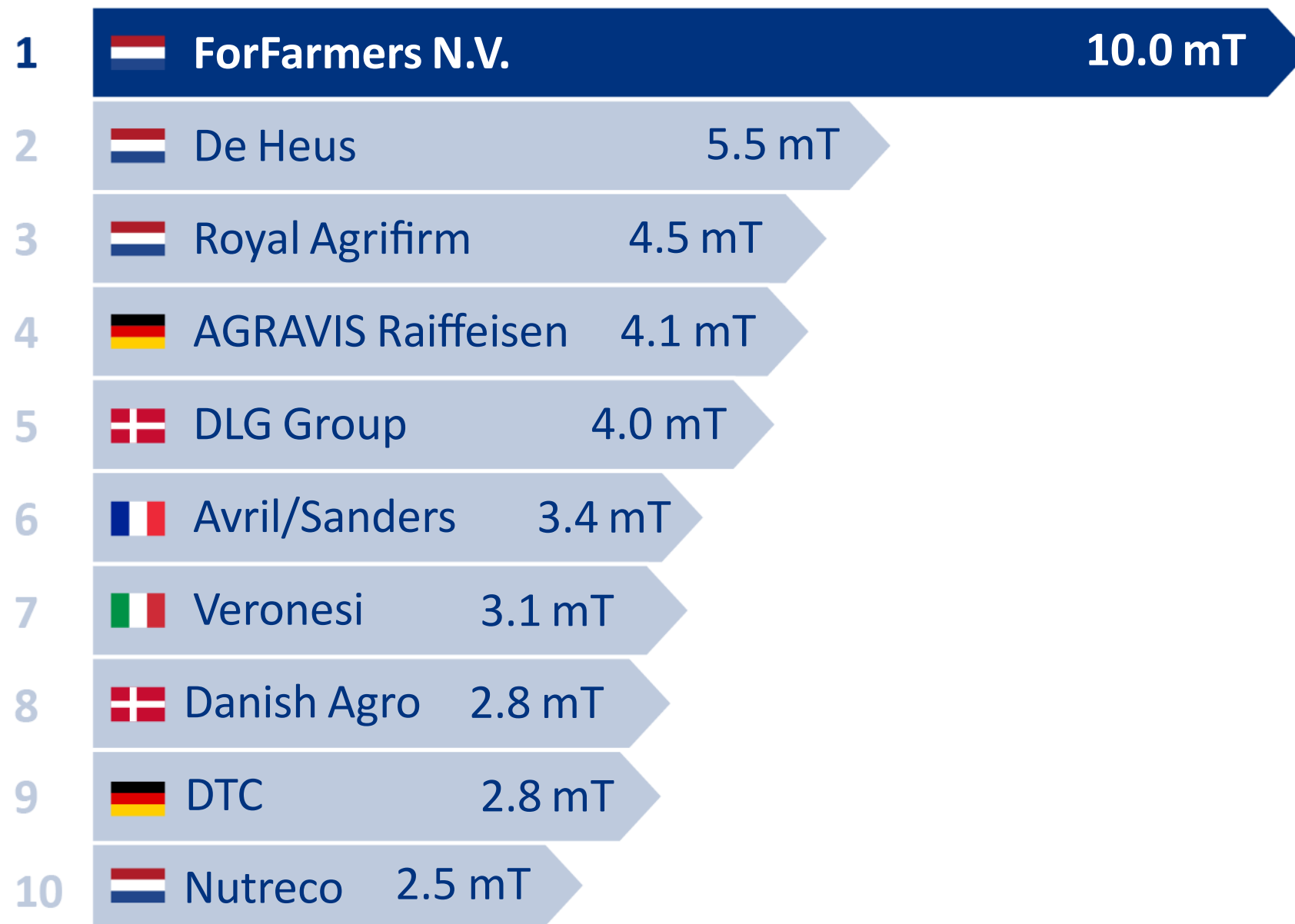
<sup>1</sup> Total Feed comprises compound feed, specialties, co-products (incl. DML products), seeds and other products (such as forage);

<sup>2</sup> Total Feed volume 2019 in million metric tonnes (mT);

<sup>3</sup> Earnings before interest, tax, depreciation and amortisation, excluding incidental items;

# ForFarmers: Leading European animal feed company

(based on mT feed sales in Europe)



Total worldwide

~1.1 bT

Total Europe

~165 mT



Source: Watt Global Media, FEAC, IFIF, AllTech Global Feed Survey 2020, ForFarmers estimates  
Presented volumes refer to volumes in Europe only and are sometimes best estimates



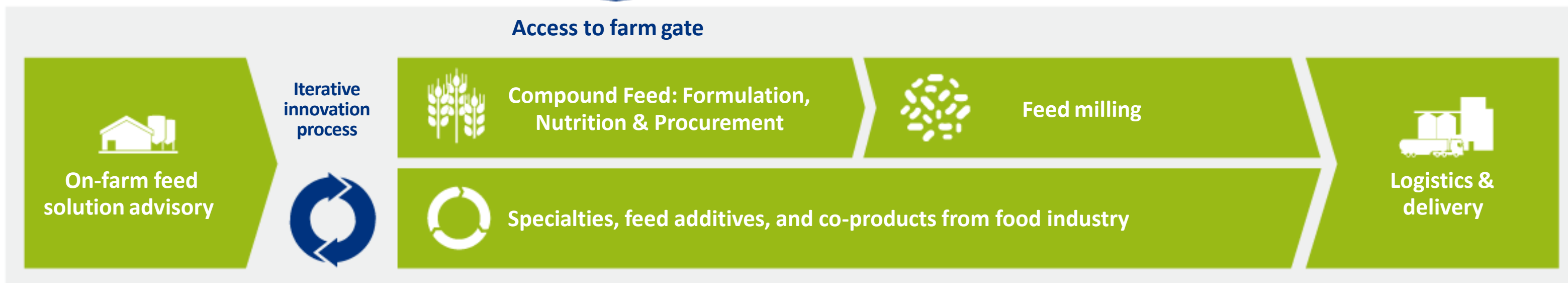
# ForFarmers' products, clients and species

<b>Compound feed</b> 	 <p><b>On-farm knowledge exchange to improve returns</b></p>	<p><b>Total Feed solution</b></p>		 <p><b>Ruminant</b></p>
<b>Specialties</b> 				 <p><b>Swine</b></p>
<b>Dry Moist Liquid (DML)</b> 				 <p><b>Poultry</b></p>
<b>Forage</b> 				



# ForFarmers' approach: From Feed To Farm

## Central position in value chain to farmers

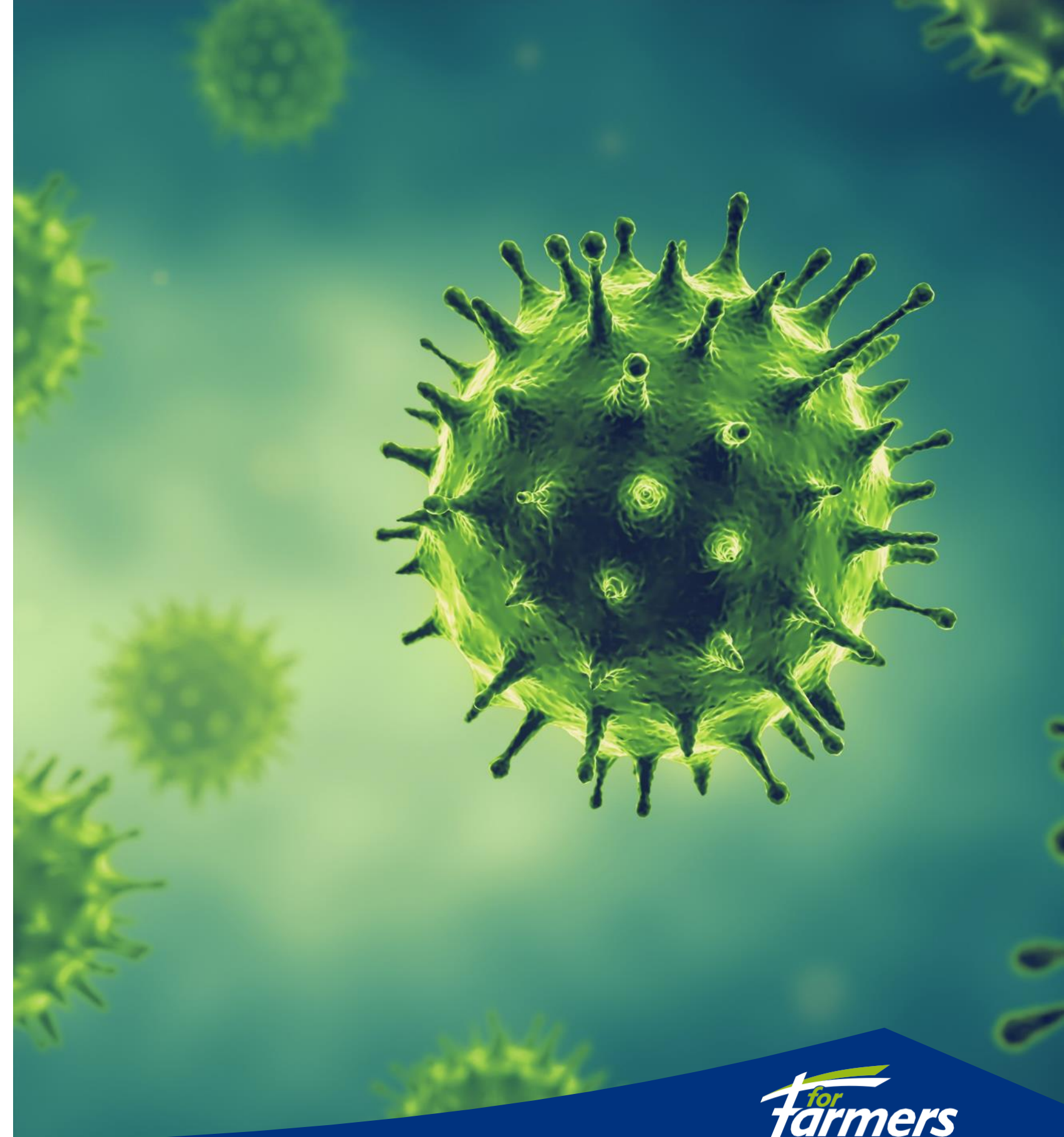


# Market trends & outlook

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# COVID-19: no negative long term impact expected

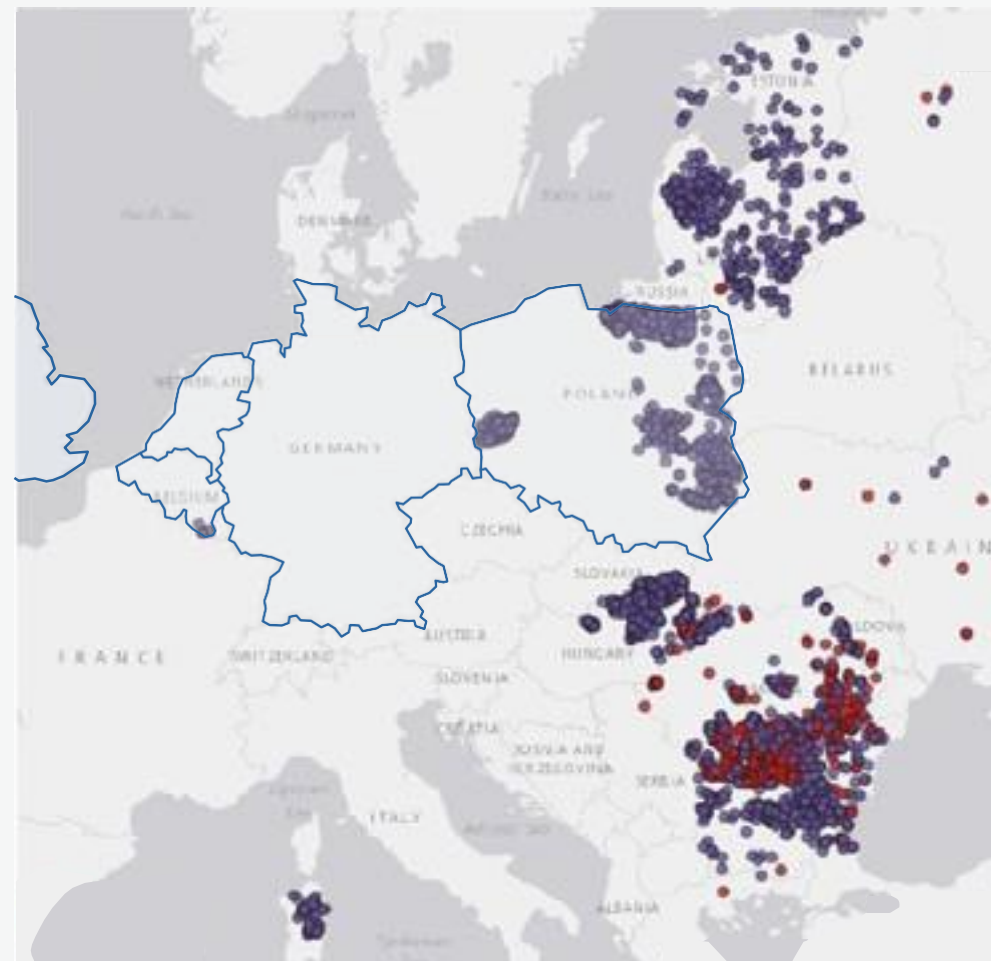
- Impact on processes of feed companies limited, in contrast to other players in the agricultural industry, such as slaughter houses
- Poultry and beef volumes predominantly exposed to out-of-home markets; recovery out-of-home market will determine ultimate impact



# 9 Animal diseases inherent part of sector – increasingly better controlled by industry

- Hygiene controls in sector have improved
- Cannot prevent regional impact on animal numbers
- Recovery animal numbers (after disease outbreak) dependent on market circumstances, e.g. existing environmental pressure on sector

African Swine Fever



■ Domestic pigs ■ Wild boar

High Pathogen Avian Influenza (Bird flu)



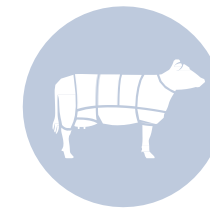
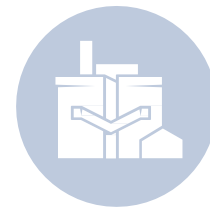
■ Captive birds ■ Poultry ■ Wild birds



Source: <https://shiny-public.anses.fr/shiny-vsi/> - date end February 2020



# Pace and impact are changing



**Trend along all sectors:** Environmental measures & regulation, Data & smart chains

Raw materials suppliers	Feed Suppliers Production, supply and application of Total Feed solutions	Farmers	Dairy processors, slaughterhouses & egg packers	Retail	Consumers
<ul style="list-style-type: none"> <li>Alternative protein as feed input</li> </ul>	<ul style="list-style-type: none"> <li>Differentiation in route-to-market (e.g. e-commerce platforms)</li> <li>Overcapacity in NW Europe</li> </ul>	<ul style="list-style-type: none"> <li>Professionalization and consolidation of farms and processors</li> </ul>		<ul style="list-style-type: none"> <li>Pressure on animal protein consumption in home markets</li> <li>Diversification end-product by adding requirements (e.g. traceability, non-GMO)</li> </ul>	



11 Trend — Environmental measures & regulation

# Nitrogen debate in the Netherlands - potential solutions



Impact feed sector	NH <sub>3</sub> reduction measures			
	Animal feed Short term	Housing and manure storage Long term	Manure application Short term	Meadow grazing Short term
<p>Collaboration between Dutch dairy sector and feed industry to reduce emission levels</p> <p>On-farm reduction measures in swine and poultry limited:</p> <ul style="list-style-type: none"> <li>• Swine: measures already taken through 'Warm restructuring'</li> <li>• Low poultry contribution; solid manure</li> </ul>	<ul style="list-style-type: none"> <li>• Optimise crude protein in total ration (forage, DML, CF) ruminants</li> <li>• Monitoring tools on farm</li> </ul>	<ul style="list-style-type: none"> <li>• Specific floors</li> <li>• Airwashers (pigs &amp; poultry)</li> </ul>	<ul style="list-style-type: none"> <li>• Add water in manure application</li> </ul>	<ul style="list-style-type: none"> <li>• Meadow grazing to reduce NH<sub>3</sub> emissions</li> </ul>
	Feed companies	On-farm	On-farm	On-farm

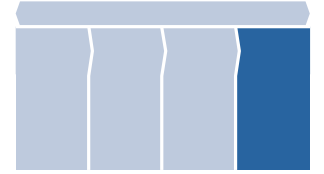


Total Farm approach is crucial with excellent on-farm advice



## 12 Trend — Pressure on animal protein consumption

# Small base high growth



- High growth in plant-based protein and lab-meat (meatless)
- In developed markets alt-meat <1% of animal protein, but significant public attention
- Challenges alt-meat: taste, price, CO<sub>2</sub>, health, legislation
- Alt-meat adding to total protein consumption volumes in developed markets (no replacement of animal protein yet)<sup>1</sup>
- Not a natural place to play for a feed player



<sup>1</sup> RaboBank Global Animal Protein Outlook 2020

# Summary Market Trends

Increasing pressure on agricultural industry in home markets

- Increasing sustainability requirements impacting production and consumption of animal protein
- Digitalisation and increased cooperation throughout the chain to further drive efficiency and sustainability
- Strong competition including new entrants (a.o. new business models)



# 14 EU compound feed demand<sup>1</sup> expected to stagnate or even decline in case of more environmental regulations and ASF<sup>2</sup> outbreaks

## Forecast European compound feed demand

### Positive scenario

- Fast recovering markets after COVID-19
- Faster growth UK agriculture due to Brexit

### Base line scenario

- COVID-19 short term impact
- NL: Nitrogen regulation, swine restructuring
- ASF in PL, no AI<sup>3</sup> outbreak

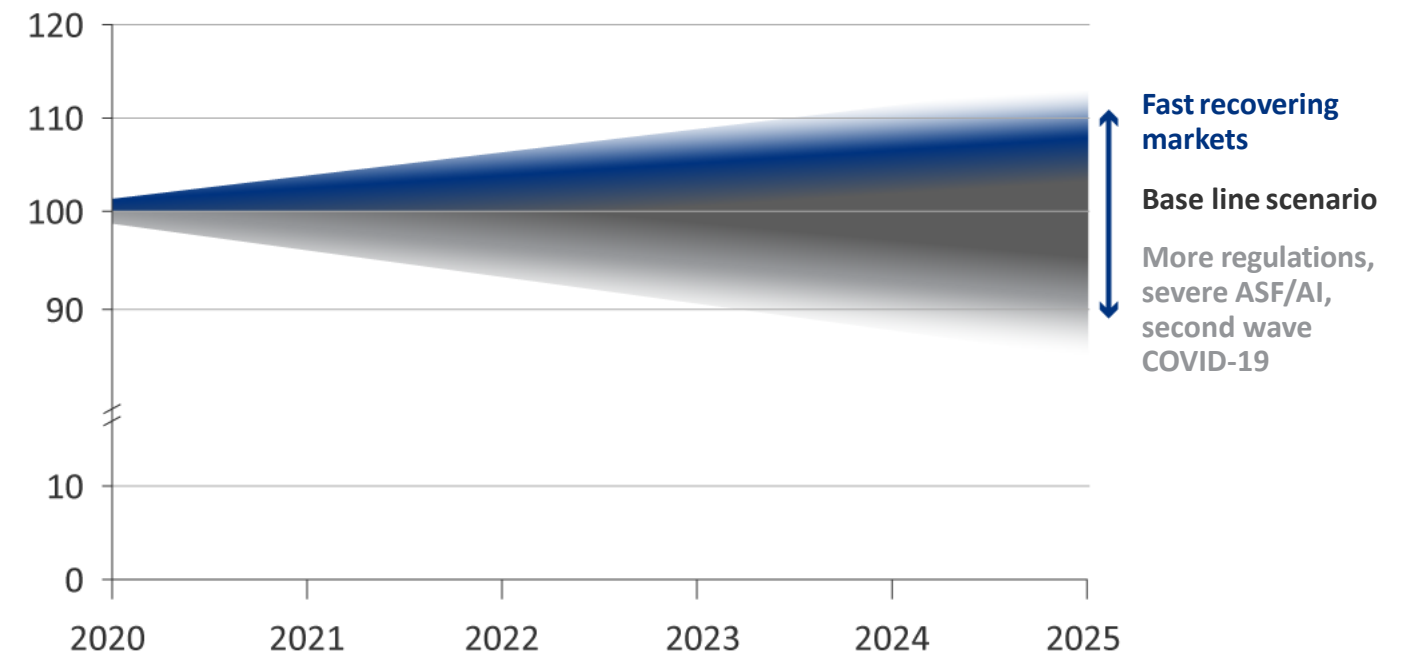
### Negative scenario

- Significant second wave COVID-19
- NL: stricter environmental legislation
- Severe ASF in DE/PL, AI outbreaks

- **Average Compound Feed growth (CAGR) 2020-2025 (ForFarmers relevant EU countries<sup>1</sup>): 0.6%**  
- positive growth expected in PL and UK
- Higher risks due to lower predictability, more regulatory measures, public pressure

## EU Feed demand forecast<sup>1</sup>

[Compound feed, indexed 2017-2019 average = 100]



<sup>1</sup> Only for ForFarmers relevant European countries: NL, DE, UK, BE, PL

<sup>2</sup> ASF means African Swine Fever




<sup>3</sup> AI means avian influenza (bird flu)

Source: FEFAC, OECD, Eurostat, EC, ForFarmers



# Outlook for market volumes positive in UK & PL but not so positive overall for swine

Overview of country volume (compound feed) CAGRs<sup>1</sup> '20-'25 [% p.a.]

2019 Portfolio			CF developments 2020-2025				
		Share sub-specie				 *	
	Ruminants	Dairy					
		Beef					
	Swine	Finishers					
		Sows					
		Piglets					
	Poultry	Layers					
		Broilers					

 ≤ -2.5%  
  -2.5% - -1%  
  > -1% - +1%  
  > +1% - +2.5%  
  ≥ 2.5%

\* Excluding Pavo/Reudink  
Source: ForFarmers financial data



# 16 Concluding...

The feed market in NW Europe is under pressure, but remains large and offers opportunities for strong and smart players

## **Chosen strategic focus ForFarmers:**

*Strengthen current position & enable growth through acquisitions in current and selected growth markets*

## **Based on:**

- Proven resilience underpinned by commercial strength and efficient supply chain
- Financial strength to invest and expand
- Excellent knowledge base to support farmers in coping with new reality



# BUILD - TO - GROW 2025



# Market Leader in 7 Countries



# Our compass Values in action



# Developing talent, For the Future of Farming

*Our people make the difference*

## End in mind

- Employing and developing best talent in industry
- Foster a culture of ‘next level performance’
- Beat performance expectations

## Action plan

- Build to Grow 2025 people development programme:
  - extended recruitment plan, training curriculum, succession planning, improved diversity





# ForFarmers' pro-active approach: Going Circular, For the Future of Farming

To define our purpose in sustainability ForFarmers introduces Going Circular



ForFarmers defines Going Circular as

- ✔ Transform low value materials into high quality food
- ✔ No waste of resources
- ✔ Zero pollution

# To make a difference in circular livestock farming



# Explicit ambitions and objectives



Objectives 2025	Ambitions 2030
100% responsibly sourced palm oil and soy bean meal	100% responsible and transparent sourcing of all ingredients
85% suppliers signed Sedex code of conduct	
Take leadership position on reduction CO <sub>2</sub> emissions of feed materials (scope 3 - upstream)	30% CO <sub>2</sub> reduction compared to today <sup>1</sup>
Take leadership position on % non-human edible feed material in diets	Maximise use of non-human edible feed materials
Largest mill carbon neutral as proof of concept	
50% renewable energy	75% reduction of CO <sub>2</sub> per tonne of feed (scope 1 and 2) compared to 2015
10% energy/fuel reduction per tonne feed compared to today <sup>1</sup>	
Take leadership position on % phosphate efficiency	Take leadership position in circular livestock farming
Take leadership position on % nitrogen efficiency	
Lost Time Incident Frequency rate @ 0.5 (per 100 FTE) & a 50% reduction <sup>2</sup> in Number of Lost Time Incidents	Creating a Zero LTI Culture
Reduction of 50% of Feed Safety Incidents <sup>3</sup>	Creating a Zero Feed Safety Incident Culture

<sup>1</sup> 2020

<sup>2</sup> Baseline 2019

<sup>3</sup> Baseline 2017 Feed safety = External audit gaps, control authority warnings or fines



# Enhance partnerships, For the Future of Farming



Market trends drive closer cooperation throughout the chain, requiring specific solutions

## Definition of a partnership

Sizable, contracted relation, based on win-win value creation (cost of production, economies of scale, differentiation), structural connection at senior level

## End in mind

To leverage knowledge and scale and secure market access



# Strengthening base Operational Excellence



26 **Operational Excellence**  
**Customer centric at  
lowest possible cost**

to be achieved through:

- Business Process Optimisation
- Supply Chain Excellence
- Overall Cost Efficiency approach



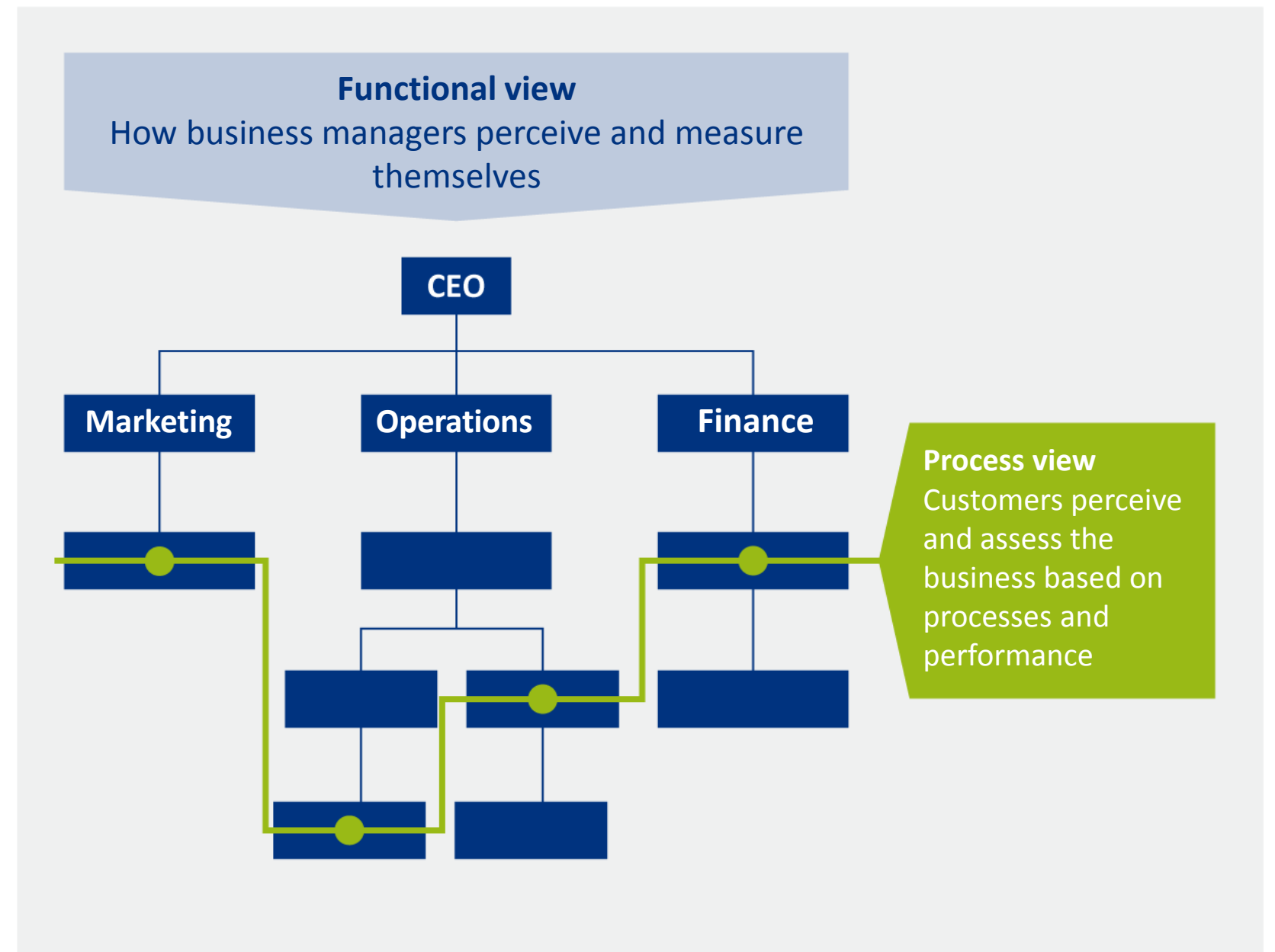
# Business Process Optimisation prerequisite for cost efficiency

## End in mind

- Improved cost efficiency
- Better customer experience
- Robust processes (first time right)
- Clarity about central and local activities

## Actions

- Systematic end-to-end review throughout ForFarmers Group
- Focus on high impact processes such as pricing and Sales & Operations Planning
- Harmonise, unify, standardise way of working



# Executing Supply Chain Excellence in 5 focus areas



# Purchase risk policy strengthened



The exposure to fluctuations in commodity price is normally reflected in feed prices

## Three risks identified

- 1 Forward sales at fixed price
- 2 Purchases against forecasted sales
- 3 Currency exposure

## Governance by Purchase Risk Board

### Three pillars of control

- 1 Single transaction and aggregated authority per purchaser
- 2 Determined boundaries for purchase quantity as percentage of forecasted sales by BU
- 3 Maximum value at risk tightened

## Business alignment & market insight

- Formal processes to ensure commercial teams are aligned with purchase strategy;
- Tailored purchase approach applied to specific country markets;
- Market analysis competencies further strengthened



# Overall Cost Efficiency approach

Most important contributors:

## **Footprint optimisation**

- Balancing out efficiency of mills and distance to customers

## **Continuous improvement**

- Next step efficiency measures
- Using business process optimisation to reduce costs
- Increased use of digital solutions: on-farm to improve returns and ease of working for farmers; internally to smoothen processes and reduce costs

## **Sales efficiency**

- Building further on recent experience (due to COVID) with digital solutions;
- Enhancing use of Agroscoop, E-marketing etc.

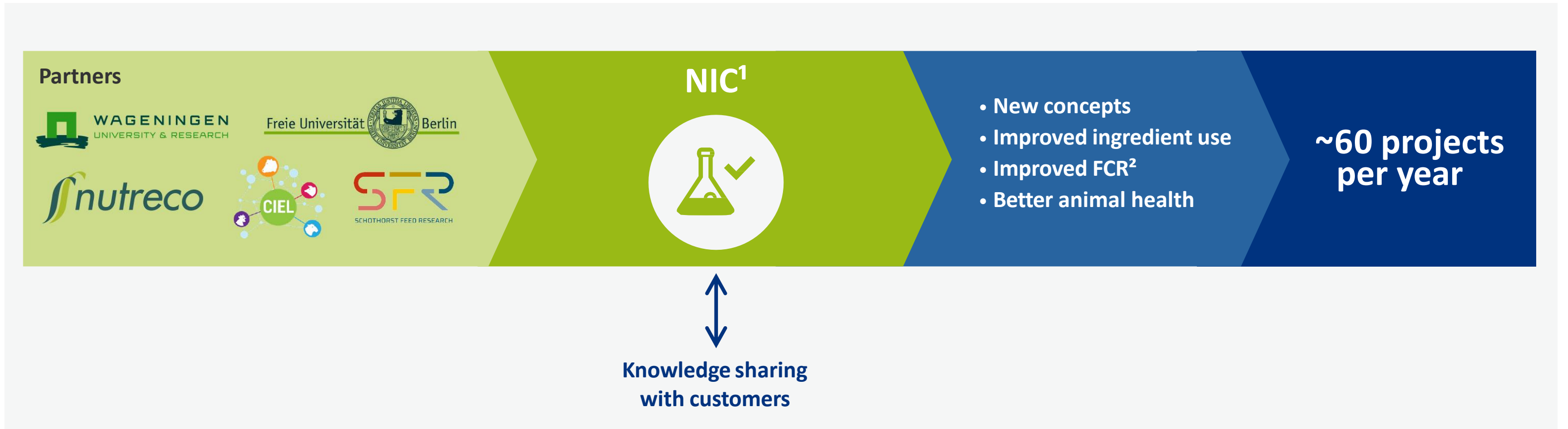


Value creation

# Next Level Innovation



# Nutritional Innovation to serve customers and stay competitive



<sup>1</sup> NIC means ForFarmers' Nutrion Innovation Centre

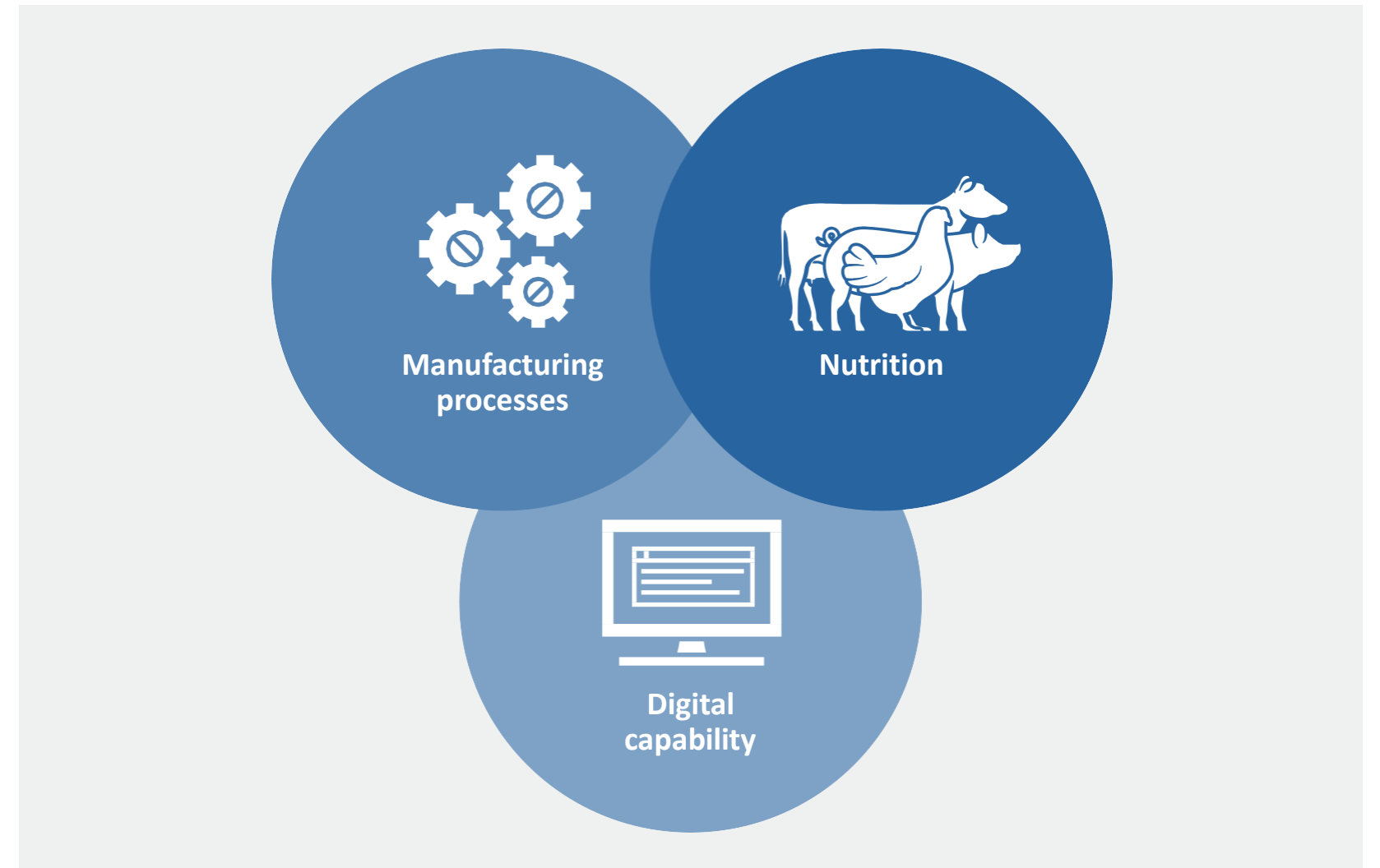
<sup>2</sup> FCR means Feed Conversion Rate

## Next Level Innovation

# At interface of manufacturing processes, nutrition and digital capability

### Next Level Innovation

- By definition multi-departmental
- More complex - more business potential
- High entry barriers for competition
- Focused project list with dedicated teams



Value delivery

# Customer Excellence



# Granular growth plans aim to outperform market

All specie/country combinations	Business Opportunities	Outcomes	Remaining potential
	<p><b>Regional white spots</b></p> <p><b>Farm size</b></p> <p><b>ForFarmers advisors</b></p> <p><b>Factory distance</b></p> <p><b>Product type</b> (Total Feed categories)</p> <p><b>Sustainability challenges</b> (eg Nitrogen)</p> <p><b>Production systems</b> (eg home mixing)</p>	<p><b>Commercial priorities</b></p> <ul style="list-style-type: none"> <li>- Growth initiatives</li> <li>- Areas to maintain</li> <li>- Areas to defocus</li> </ul> <p><b>Activation Plans</b></p> <p><b>Examples of growth areas:</b></p> <ul style="list-style-type: none"> <li>- broiler NL (south)</li> <li>- Reudink swine</li> <li>- L size farms AMS<sup>1</sup> (GE)</li> </ul>	
<p><sup>1</sup>AMS means Automated Milking System</p>		<p> Green=Customer Excellence remaining potential</p>	

# Growth plan per region supported by central toolkit

1 Sales reporting, steering and CRM usage



2 Technical and commercial training




3 Integrated way of working across sales channels



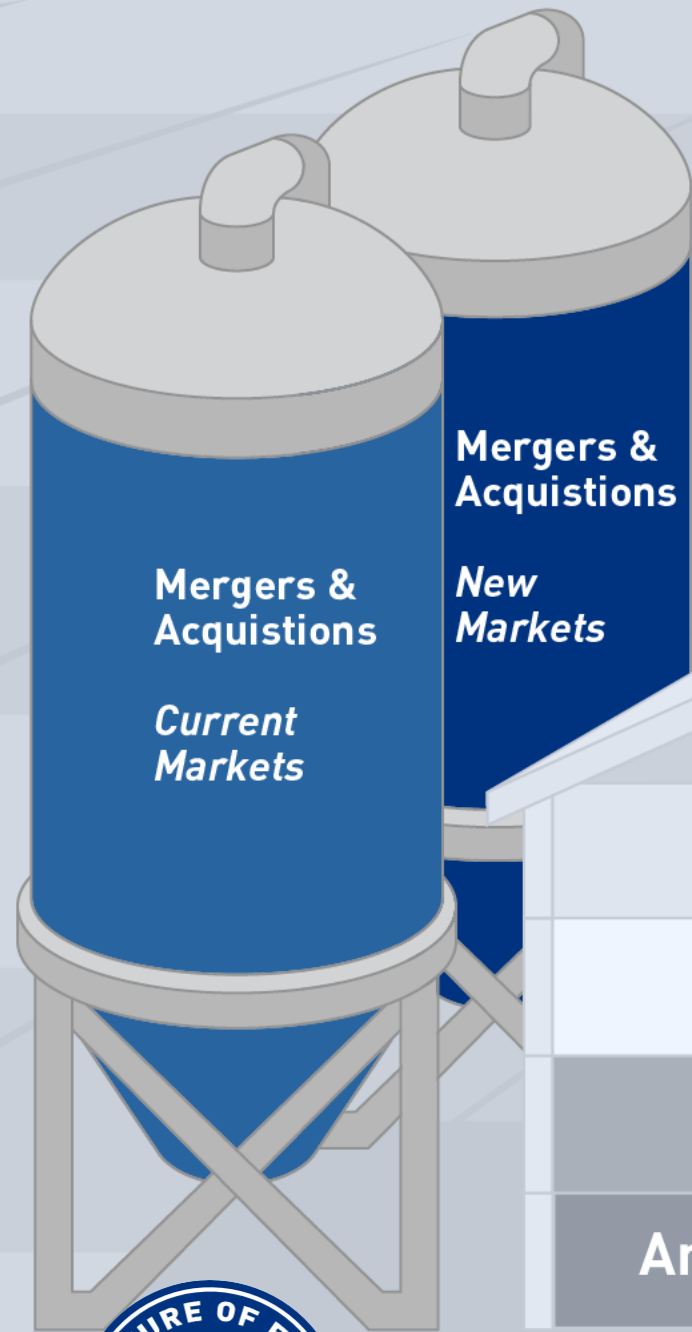
4 Pricing process



 Green = remaining potential to maximise impact on market share and share of stomach



# M&A



## BUILD TO GROW 2025

Customer Excellence

Next Level Innovation

Operational Excellence

Ambition

Sustainability

Partnership

Value Delivery

Value Creation

Strengthen Base

Our Compass

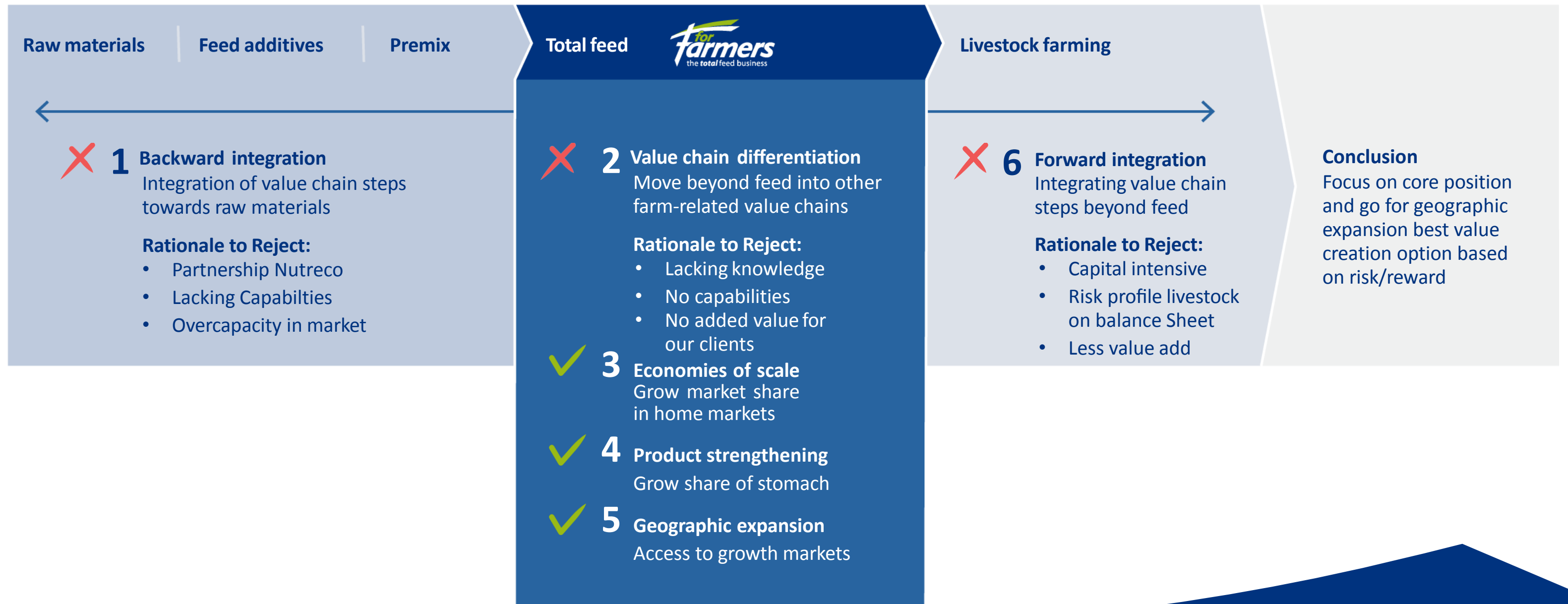






# ForFarmers has considered six strategic moves along the value chain to strengthen its position

## Potential strategic moves



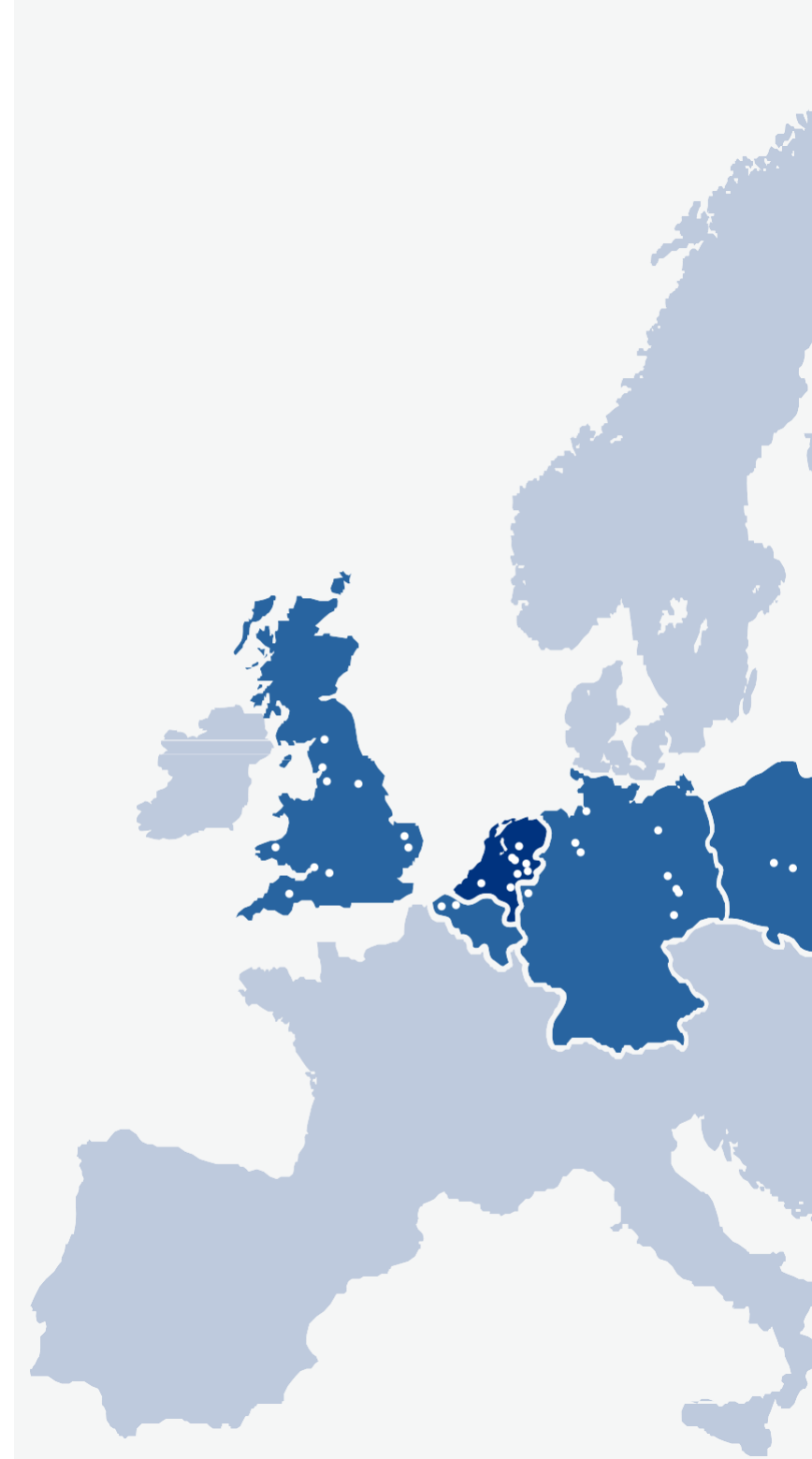
# Being an active consolidator drives value

Synergy area	Rationale	Priorities
<b>Overhead and SG&amp;A reduction</b>	<ul style="list-style-type: none"> <li>• Shared Services Centers per country/cluster</li> <li>• Harmonize IT systems to reduce future Capex</li> <li>• Scale to improve professionalism</li> <li>• Create focused sales teams</li> </ul>	<p>The map shows Europe divided into several regions, each with a callout indicating market position and the number of Top 3 players:</p> <ul style="list-style-type: none"> <li><b>UK:</b> Market position 1, c. 150 players</li> <li><b>Central Europe (Germany, Poland):</b> Market position 1, c. 80 players</li> <li><b>France:</b> Market position 2, c. 50 players</li> <li><b>Italy:</b> Market position 3, c. 300 players</li> <li><b>Spain:</b> Market position 4, c. 35 players</li> </ul>
<b>Asset optimization</b>	<ul style="list-style-type: none"> <li>• Specie focused factories, larger batch size, more formulation options</li> <li>• Specialty factories per international zone</li> </ul>	
<b>Logistics optimisation</b>	<ul style="list-style-type: none"> <li>• Optimise long distance network</li> <li>• Flexibility with dedicated partners</li> <li>• Combine inbound &amp; outbound logistics</li> </ul>	
<b>Purchasing benefits</b>	<ul style="list-style-type: none"> <li>• Network of regional and international suppliers</li> <li>• Use economies of scale in non-macro buying</li> <li>• More data analytics and hedging strategies</li> </ul>	
<b>Enhance product offering</b>	<ul style="list-style-type: none"> <li>• New Product solutions to customers</li> <li>• Expand TFS offering</li> <li>• Expand offering of digital solutions</li> </ul>	
<b>Potential risks</b>	<ul style="list-style-type: none"> <li>• Risk of losing sales advisors</li> <li>• Risk of losing customers (depending on relationship with sale force)</li> <li>• Integration and compliance costs</li> </ul>	

# Accelerate consolidation in Europe...

## Consolidation in (European) markets – looking for major synergies

- Target with > 300kT volume (preferably)
- Improving product offering and/or enlarging customer base
- Providing supply chain optimisation opportunities
- Pro-active approach in existing markets (in Germany and Poland in particular); opportunistic regarding new mature EU markets



# ...and enter selected global growth markets

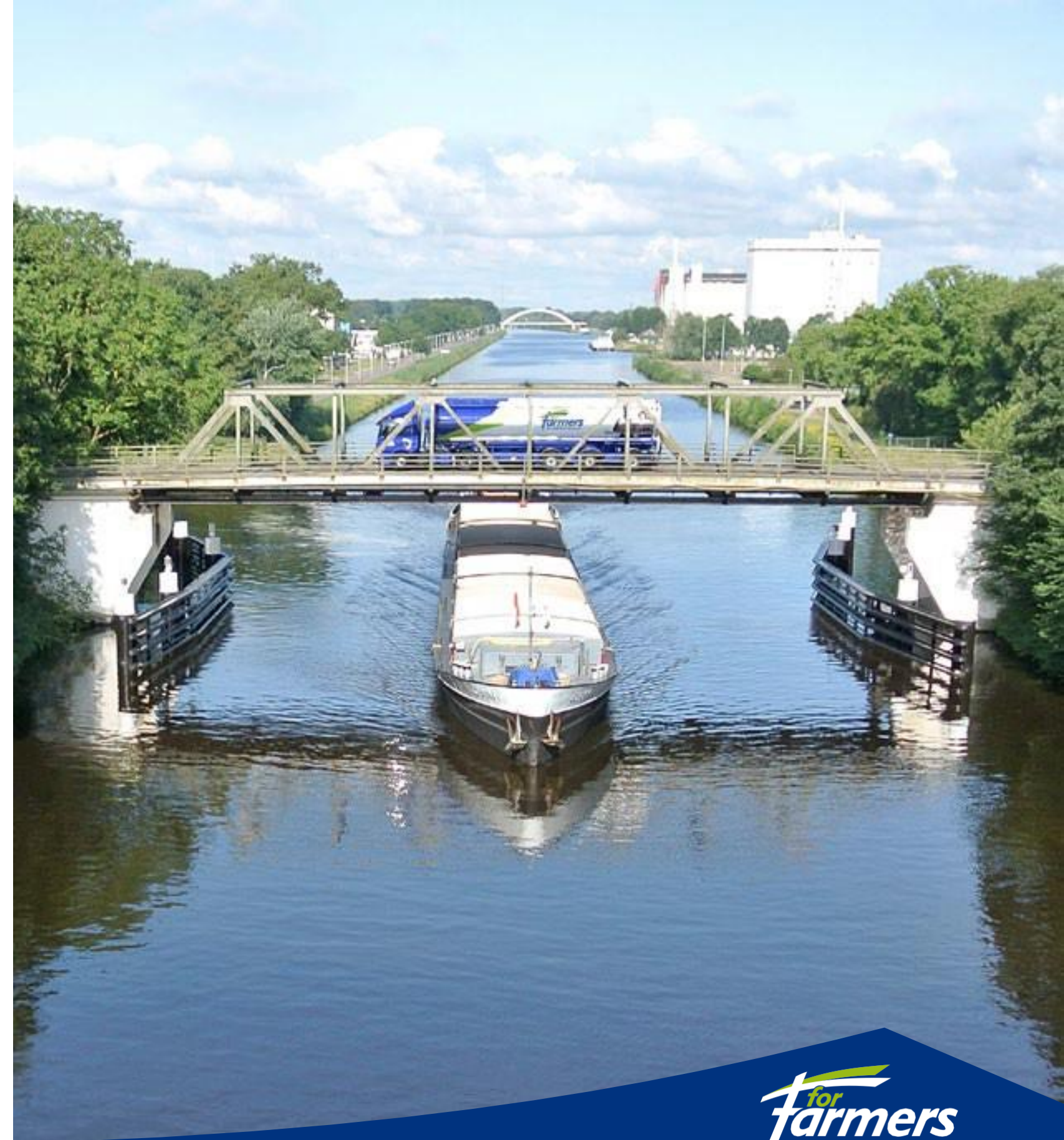
## Enter selected global markets – balancing towards growth

- Sizable animal population, growing > 4% per year
- Local business model/access on-farm
- Non-integrated player with already strong market position
- > €5 million EBITDA
- Platform to become no. 1 or 2 (organic and/or acquisitive growth)
- Acceptable governance principles and country risks
- May consider joint ventures to reduce risk of market entrance
- Over time full consolidation in ForFarmers results
- Local management willing to stay on, complemented by ForFarmers leaders



# Financial metrics

- Historic multiple paid: approximately 5-8 x (underlying) EBITDA, pre synergies
- Leverage: up to 2.5x underlying EBITDA
- Value accretion within one year after closing
- ROACE after 2 years > 17% (based on underlying EBITDA)



# Key enablers to be enhanced

## Capacity & Focus

- management resources
- multinational profile/regional hubs



## Organisational readiness

- international team
- integration experience
- business control



## Financial strength

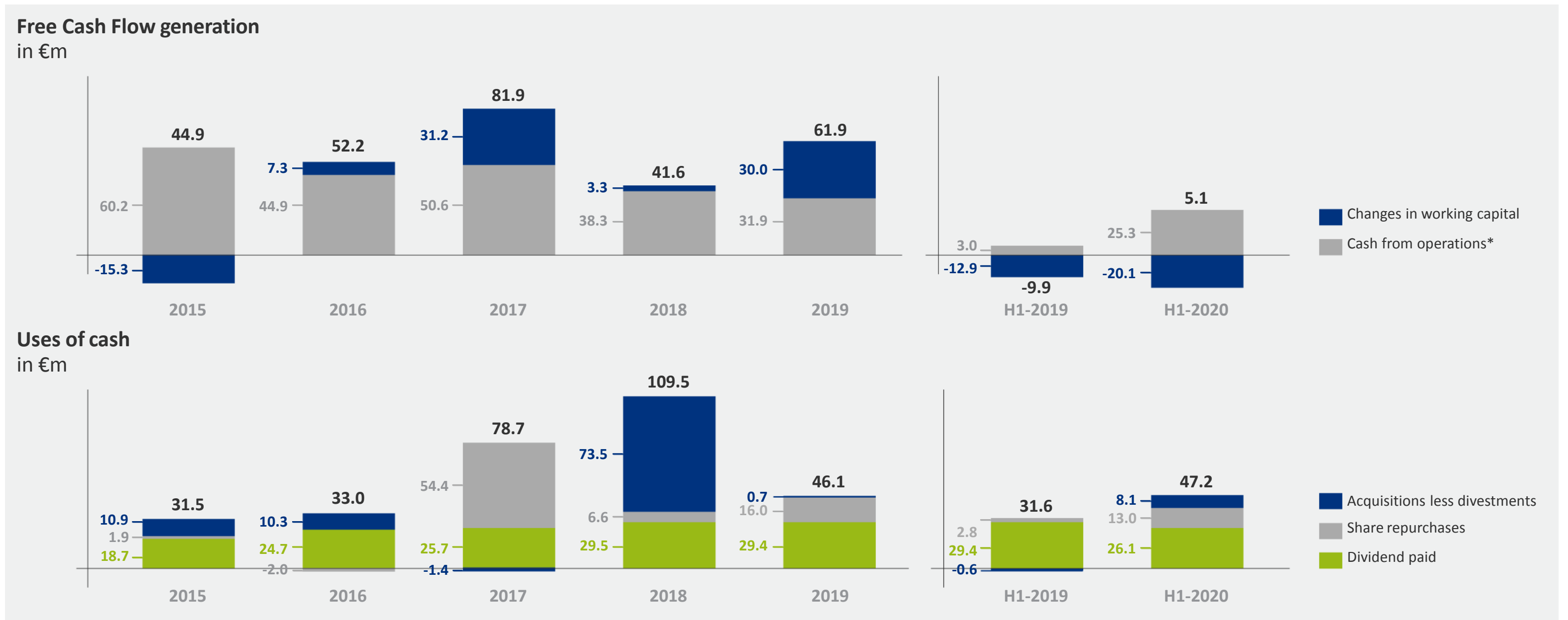


## Partner network & local connectivity



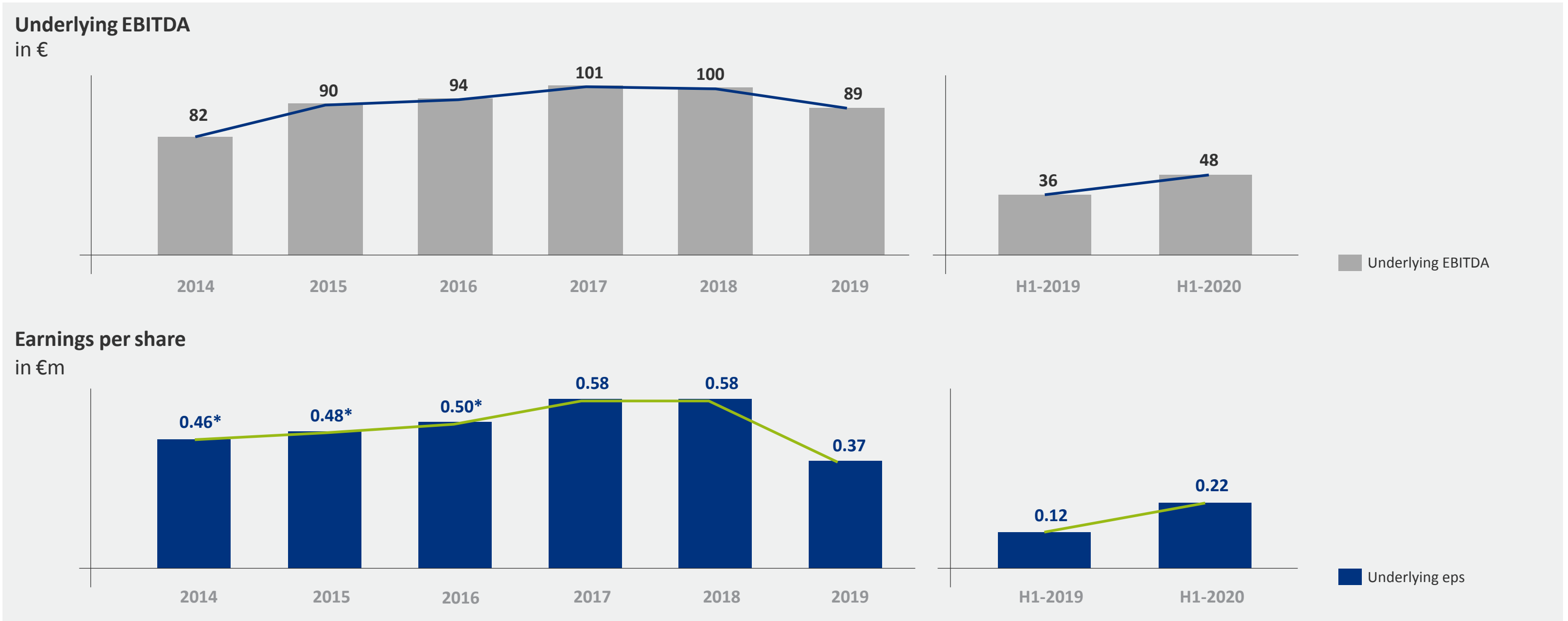
# Financials

# Healthy cash flow generation for acquisitions and returns to shareholders



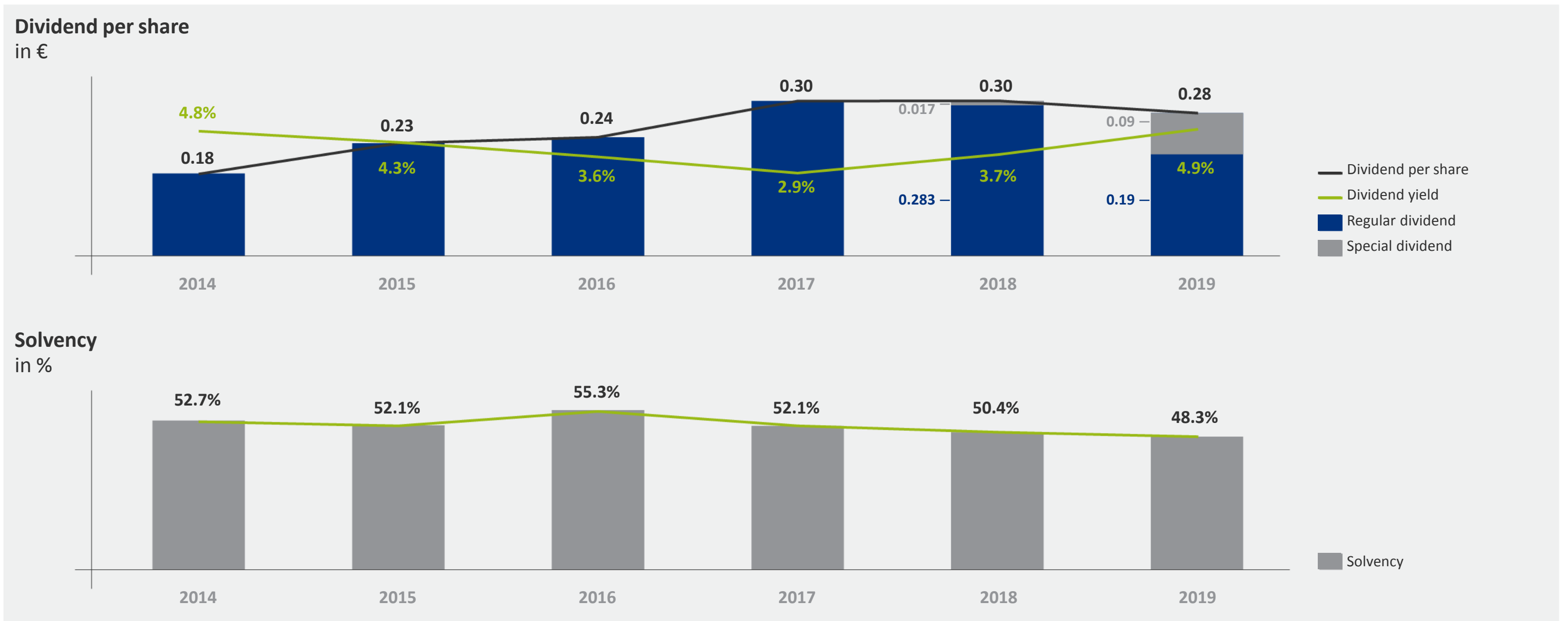
\* Cash generated from operations, including income from equity-accounted investees and net of cash outflow for capex, interest and tax

# Resilient earnings in challenging markets

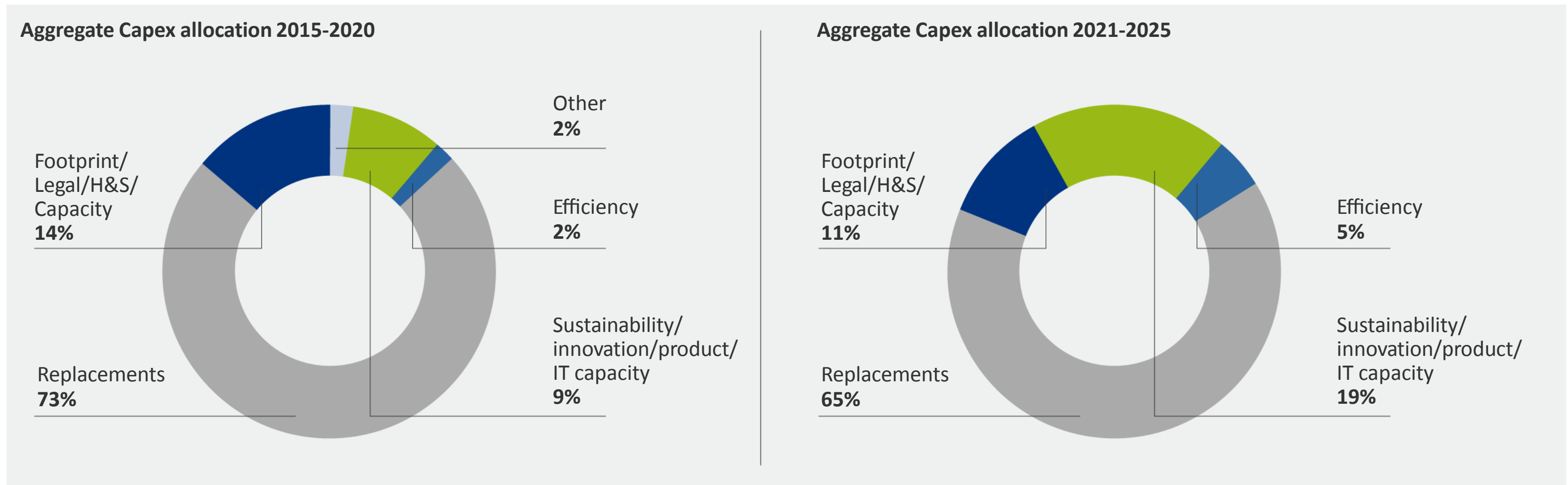


\* Ordinary earnings per share

# Attractive dividend combined with healthy solvency ratio

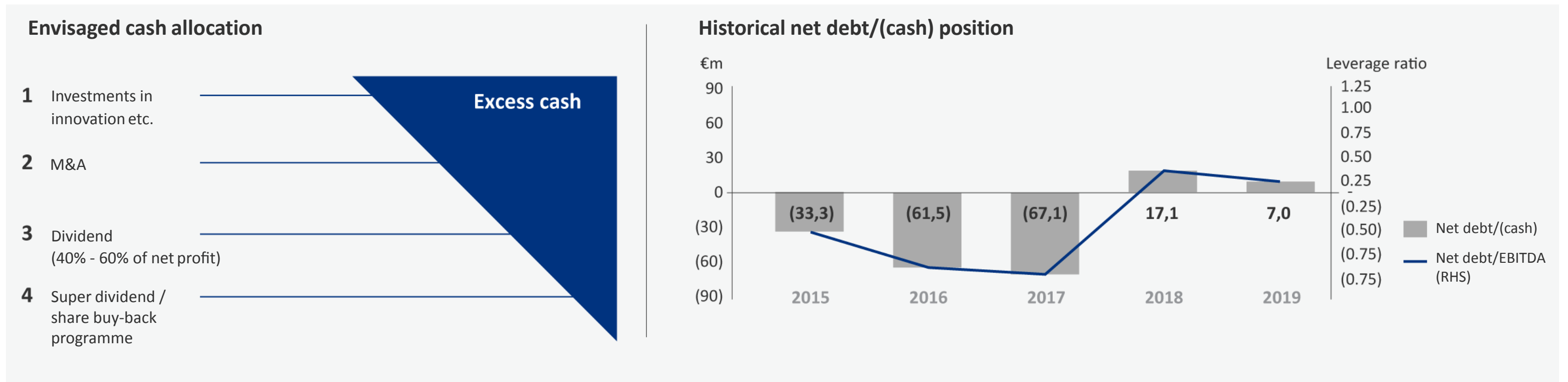


# Increasing Investments in Sustainability & Innovation



- Majority of capex relates to replacements
- 2021-2025 reduction in replacement projects, but increase in return-generating investments
- IT Capability & product innovation key drivers in forward looking capex
- New capex strategy to lead to overall lower total investments 2021-2025

# Ample headroom for operational improvements and M&A



## Financial policy

- ForFarmers has Net debt/EBITDA comfort < 2.5x providing headroom of c. €200m - €250m
  - 2.5x EBITDA
- Net debt as per year-end 2019 of €7m
- Bank covenants
  - Leverage ratio < 3.0x, one-off spikes allowed of between 3.0x - 3.5x
  - Interest coverage ratio not less than 4.0x

# Financial objectives 2025



## Creating value for the Future of Farming

Underlying EBITDA 2025 (incl acquisitions) €125m - €135m\*

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- Underlying EBITDA growth (excl. acquisitions) 0% - 3% p.y\* (as of 2020)
  - Challenging markets offset by commercial savviness and cost efficiency focus
- 

M&A: consolidation in existing markets & enter carefully selected growth markets to become active in 7 countries

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Operational Excellence plans to lead to at least €10m (in total) savings in operating costs by 2025 (vs. 2020)

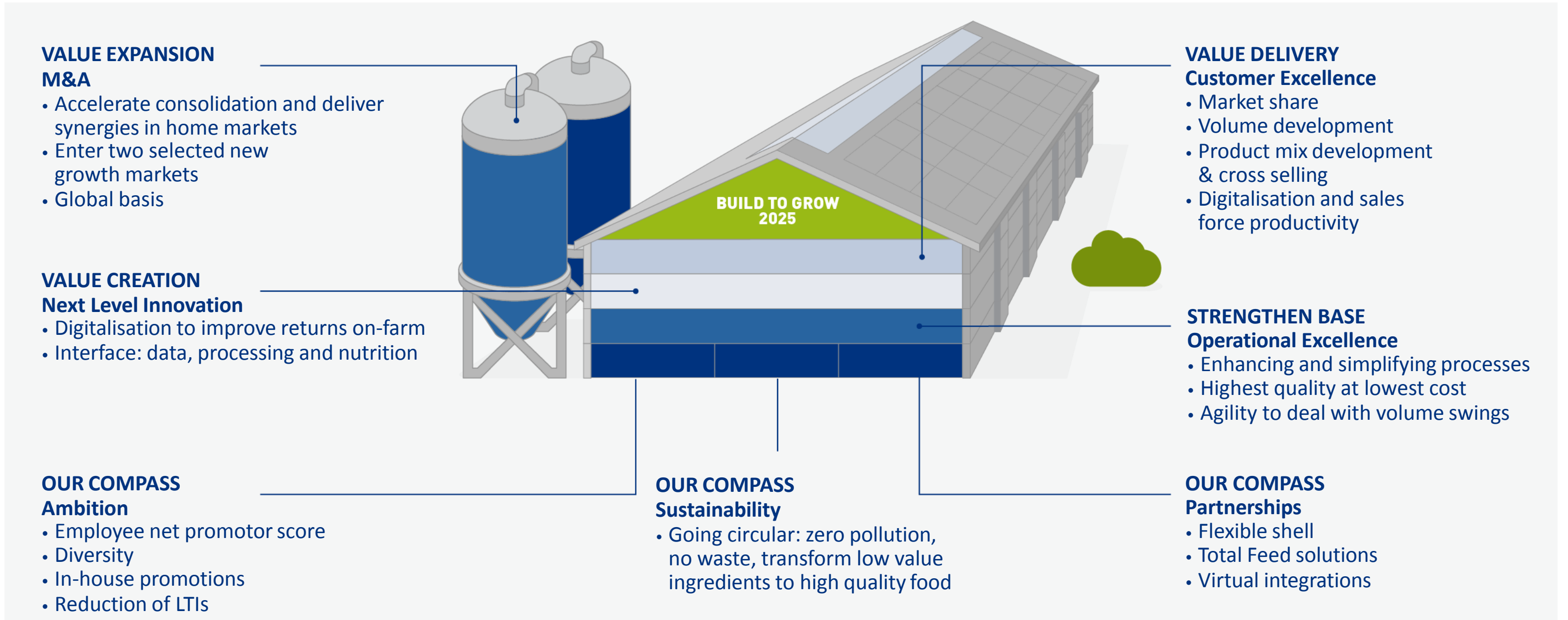
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Dividend distribution 40% - 60% of underlying net profit



\* At constant currencies

# Long-term value drivers



# ForFarmers investment profile

## Resilience in challenging home countries, expansion to new markets

- Operational excellence and commercial savviness
- Unique access to farm gate as Total Feed solutions provider
- Helping farmers cope with new reality with superior knowledge
- Going Circular For the Future of Farming
- M&A: consolidation in existing markets & enter carefully selected growth markets to become operational in 7 countries

## Financial profile

- Exposure to global commodities (raw materials)
- Strong balance sheet (solvency around 50%)  
and substantial recurring free cash flow (~€50m)
- Substantial dividend distribution (40-60% of underlying net profit)



# Concluding



# Ambition 2025: our integrated objectives



## Developing talent

for the Future of Farming

- LTI frequency rate < 0.5
- More diversity in management positions
- Increased employee engagement score



## Sharing knowledge

for the Future of Farming

- Y-o-Y better FCR
- Bespoke solutions for specific chains
- Leading edge digital tools



## Going Circular

for the Future of Farming

- Leadership position reduction CO<sub>2</sub> emissions of feed materials (upstream)
- 10% energy/fuel reduction per tonne feed (vs 2020)
- Take leadership position on % non-human edible feed material in diets
- 100% responsibly sourced soya and palm oil



## Creating Value

for the Future of Farming

- Underlying EBITDA 2025 (incl. M&A) €125m-€135m; L-f-L growth 0%-3% p.y. (excl. M&A)
- M&A: consolidate in existing markets & expand to growth countries to become active in 7
- At least €10m savings in operating costs by 2025 (vs. 2020)
- Dividend distribution 40%-60% of underlying net profit

# Contact

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**BUILD  
— TO —  
GROW  
2025**



