Ad hoc announcement pursuant to Art. 53 LR

Press release

October 24, 2023

Third quarter and nine months 2023 trading update

Resilient third quarter revenue growth and margin performance

- Q3 2023 Group revenue growth at constant currency of 7.7%
- Q3 2023 organic revenue growth[1] at constant currency of 8.1%
- Q3 2023 adjusted EBITDA margin of 24.8% (Q3 2022: 23.2%)
- Q3 2023 free cash flow generation of €133 million (Q3 2022: €101 million)
- Full year guidance maintained

Key performance indicators: Q3 2023

(In € million or %)	Three months ended Sept. 30, 2023	Three months ended Sept. 30, 2022
Total revenue	799.3	770.8
Adjusted EBITDA	198.0	178.8
Adjusted EBITDA margin	24.8%	23.2%
EBITDA	236.5	124.6
Adjusted net income	79.0	78.2
Net income	84.3	9.3
Free cash flow	133.0	101.5

[1]Organic growth represents aseptic carton and excludes the acquisitions of the bag-in-box, spouted pouch and chilled carton businesses.

Key performance indicators: nine months 2023

(In € million or %)	Nine months ended Sept. 30, 2023	Nine months ended Sept. 30, 2022
Total revenue	2,339.3	1,913.4
Adjusted EBITDA	581.7	459.3
Adjusted EBITDA margin	24.9%	24.0%
EBITDA	586.6	362.6
Adjusted net income	223.4	202.7
Net income	136.9	75.9
Free cash flow	(80.2)	92.1

Revenue by region: Q3 2023

(In € million or %)	Three months ended Sept. 30, 2023	Three months ended Sept. 30, 2022	Change Reported currency	Change Constant currency	Organic growth[1] Constant currency
Europe	246.1	229.7	7.2%	7.5%	11.1%
MEA	79.6	78.1	1.9%	6.7%	6.7%
APAC	239.7	229.9	4.3%	14.4%	10.4%
Americas	233.5	232.8	0.3%	1.9%	1.4%
Group Functions	0.4	0.3			
Total revenue	799.3	770.8	3.7%	7.7%	8.1%

Revenue by region: nine months 2023

(In € million or %)	Nine months ended Sept. 30, 2023	Nine months ended Sept. 30, 2022	Change Reported currency	Change Constant currency	Organic growth[1] Constant currency
Europe	737.5	605.9	21.7%	21.9%	10.7%
MEA	242.3	233.5	3.7%	5.0%	5.0%
APAC	690.0	597.3	15.5%	21.8%	2.8%
Americas	668.8	475.9	40.6%	39.5%	9.4%
Group Functions	0.7	0.8			
Total revenue	2,339.3	1,913.4	22.3%	24.3%	7.1%

[1] Organic growth represents aseptic carton and excludes the acquisitions of the bag-in-box, spouted pouch and chilled carton businesses.

Third quarter regional revenue highlights

Europe

Third quarter organic revenue growth in Europe, on a constant currency basis, was 11.1% compared with the third quarter of 2022. Including the consolidation of bag-in-box and spouted pouch, revenue increased by 7.5% at constant currency. Performance of the organic aseptic carton business was driven by price increases to recover cost inflation which, particularly in 2022, included higher raw material, energy and freight costs. In aseptic carton the region continues to gain share of the aseptic carton market due to new filler installations. This includes expansion in Finland and Romania.

The European revenue contribution from bag-in-box and spouted pouch was €34.8 million for the three months ended September 30, 2023.

Middle East and Africa

In the Middle East and Africa, revenue saw a strong recovery after a weaker second quarter, increasing by 6.7% in the third quarter on a constant currency basis. Price increases offset prior year cost inflation while volume improved compared to Q2. This included a ramp-up of volume for new filling lines in South Africa and Saudi Arabia as well as an increase in demand in Algeria.

Asia Pacific

In Asia Pacific revenue growth at constant currency, including bag-in-box, spouted pouch and chilled carton, was 14.4% in the third quarter compared with the prior year. On an aseptic carton organic basis, revenue at constant currency increased 10.4% for the quarter continuing its recovery following a slow quarter one.

Southeast Asia saw increasing aseptic carton volume growth throughout the period particularly in India and Vietnam. In the rest of Asia, chilled carton performed well and there was continued strong volume recovery for aseptic carton in China following a slow first quarter. SIG DomeMini, the single serve carton that has a bottle shape, was commercially launched with a customer in China and the Group's alu-free packaging was rolled out with two of its largest customers in the country.

The Asia Pacific revenue contribution from chilled carton, spouted pouch and bag-in-box was €52.0 million for the three months ended September 30, 2023.

Americas

Revenue growth at constant currency in the Americas was 1.9% for the third quarter including the contribution from bag-in-box and spouted pouch. Organic revenue growth of aseptic carton, on a constant currency basis, was 1.4% for the quarter, partially reflecting a strong prior year base. However, in Brazil, after softer demand in July and August, retail price reductions increased demand in September.

A cross selling win was secured for a spouted pouch systems solution with an existing large aseptic carton customer in Brazil.

Mexico reported a strong performance in liquid dairy for aseptic carton, gaining share of wallet with its largest customer.

The Americas revenue contribution from bag-in-box and spouted pouch was €104.8 million for the three months ended September 30, 2023. Revenue growth for bag-in-box and spouted pouch was above the market growth rate, as the business continued to gain market share, but lower than Q3 2022. Growth in 2022 was particularly strong due market share gains and elevated demand post the Covid-19 pandemic.

Adjusted EBITDA for the nine months ended September 30, 2023

Adjusted EBITDA increased by 26.7% to €581.7 million for the nine months ended September 30, 2023 (9M 2022: €459.3 million), this included consolidation of the bag-in-box, spouted pouch and chilled carton businesses for the full nine-month period. The adjusted EBITDA margin was 24.9% compared with 24.0% for 9M 2022 despite dilution from acquisitions. A higher revenue contribution, driven by price in the first nine months, more than offset higher SG&A, raw material and production costs.

Reported EBITDA increased by €224.0 million to €586.6 million for the nine months ended September 30, 2023. In addition to the increase in adjusted EBITDA described above, the increase in reported EBITDA was primarily due to movements in unrealized hedging, the reduction of acquisition-related expenses that occurred in 2022 and the reversal of an acquisition-related provision.

Adjusted net income for the nine months ended September 30, 2023

Adjusted net income increased from €202.7 million to €223.4 million for the nine months ended September 30, 2023. The growth was driven by higher EBITDA, partially offset by higher interest, tax and depreciation expenses.

Reported net income increased by €61.0 million to €136.9 million for the nine months ended September 30, 2023. The improvement was primarily due to movements in EBITDA, offset by additional depreciation and amortization, tax and interest expense.

Net capital expenditure for the nine months ended September 30, 2023

(In € million)	Nine months ended Sept. 30, 2023	Nine months ended Sept. 30, 2022[1]
PP&E and intangible assets (net of sales)	129.9	53.8
Filling lines and other related equipment	178.3	122.3
Capital expenditure	308.2	176.1
Upfront cash	(77.8)	(107.5)
Net capital expenditure	230.4	68.6

1 The comparative amounts for net capital expenditure have been aligned to the December 31, 2022 definition, for further information please refer to note 11 of the consolidated financial statements 2022.

Net capital expenditure for the nine months ended September 30, 2023 was €230.4 million or 9.8% of revenue. Upfront cash from customers for filling lines in the first nine months of the year was proportionately lower than the prior year. A higher portion of upfront cash is expected in the fourth quarter of the year.

The year-to-date increase in gross capital expenditure reflects further expansion into growth markets, including the Group's first sites in Mexico and India to produce aseptic carton sleeves, footprint rationalization and capacity expansion for bag-in-box and spouted pouch in North America as well as expansion of these substrates into emerging markets. In addition, a high level of activity at filling machine assembly plants reflects strong customer demand for SIG systems.

For the full year, net capital expenditure is expected to remain within the guided range of 7% to 9% of revenue.

Free cash flow for the nine months ended September 30, 2023

(In € million)	Nine months ended Sept. 30, 2023	Nine months ended Sept. 30, 2022
Net cash from operating activities	263.9	293.1
Acquisition of PP&E and intangible assets (net of sales)	(308.2)	(176.1)
Payment of lease liabilities	(35.9)	(24.9)
Free cash flow	(80.2)	92.1

Free cash flow in the nine months ended September 30, 2023 primarily reflected the increase in net capital expenditure of €161.8 million compared to the prior year. Higher net working capital, which includes the payment of customer incentives during the period, and higher interest payments also impacted cash flow generation. Historically the Group has generated strong cash flow in the fourth quarter.

Leverage as of September 30, 2023

(In € million)	As of Sept. 30, 2023	As of June, 30, 2023[1]	As of Dec. 31, 2022[2]
Gross debt	2,817.0	2,794.4	2,684.1
Cash and cash equivalents	345.7	211.6	503.8
Net debt	2,471.3	2,582.8	2,180.3
Net leverage ratio (last twelve months proforma)	3.2x	3.4x	3.1x

1 In the calculation of the net leverage ratio as of June 30, 2023, adjusted EBITDA includes the adjusted EBITDA of chilled carton business from July 1, 2022.
2 In the calculation of the net leverage ratio as of December 31, 2022, adjusted EBITDA includes the adjusted EBITDA of bag-in-box, spouted pouch and chilled carton businesses from January 1, 2022.

Net debt as of September 30, 2023 was broadly in line with June 30, 2023 while cash and cash equivalents increased by €134 million over the three-month period. As in prior years, cash generation is weighted to the second half of the year. A strong adjusted EBITDA performance over the last twelve months positively contributed to the net leverage ratio, which was 3.2x as of September 30, 2023, compared to 3.4x as of June 30, 2023.

In the first half of 2023, the Company repaid €450 million of unsecured notes partially funded by a bridge loan facility of €350 million.

The Group is committed to reducing gross debt by year end 2023. It expects the net leverage ratio to be below 3.0x by the end of the year, which is consistent with its target to achieve net leverage of 2.5x by the end of 2024.

Outlook

Guidance for 2023 remains unchanged. The Company expects revenue growth of 20-22% at constant currency. Bag-in-box and spouted pouch are being consolidated for an additional five months and chilled carton for an additional seven months respectively compared with 2022. Pass through resin escalators for the bag-in-box and spouted pouch businesses are excluded from the guidance. Organic constant currency revenue growth for the aseptic carton business is expected to be 7-9%. Price increases in the carton business are expected to continue to contribute to top-line growth. The adjusted EBITDA margin is expected to increase by 50-150 basis points, implying a range of 24-25%. The expected improvement compared with 2022 is subject to input cost and foreign currency volatility. Net capital expenditure is forecast to be within a range of 7-9% of revenue and the dividend pay-out ratio is expected to be within a range of 50-60% of adjusted net income.

The following table reconciles profit for the period to EBITDA and adjusted EBITDA.

(In € million)	Nine months ended Sept. 30, 2023	Nine months ended Sept. 30, 2022
Profit for the period	136.9	75.9
Net finance expense/(income)	86.3	(16.9)
Income tax expense	59.0	32.8
Depreciation and amortization	304.4	270.8
EBITDA	586.6	362.6
Adjustments to EBITDA:		
Unrealized (gain)/loss on operating derivatives	(3.6)	48.2
Restructuring costs, net of reversals	3.1	4.2
Transaction- and acquisition-related costs	0.7	23.1
Integration costs	9.4	9.2
Realized gain on settlement of deal contingent derivative	-	(16.6)
Fair value adjustment on inventories	-	20.4
Change in fair value of contingent consideration	(5.6)	-
Impairment losses	4.5	3.9
Other	(13.4)	4.3
Adjusted EBITDA	581.7	459.3

The table below is a summary of the reconciliation of profit for the period to adjusted net income.

(In € million)	Nine months ended Sept. 30, 2023	Nine months ended Sept. 30, 2022
Profit for the period	136.9	75.9
Non-cash foreign exchange impact of non-functional currency loans and realized foreign exchange impact due to refinancing	(1.3)	(26.3)
Amortization of transaction costs	3.5	5.9
Net change in fair value of financing-related derivatives	(1.7)	(7.4)
Realized gain on settlement of deal-contingent derivative (relating to repayment of loan)	-	(15.5)
PPA depreciation and amortization – Onex acquisition	77.4	77.5
PPA amortization – Other acquisitions	35.5	22.0
Net effect of early repayment of loan	-	1.0
Adjustments to EBITDA[1]	(4.9)	96.7
Tax effect on above items	(22.0)	(27.1)
Adjusted net income[2]	223.4	202.7

1 For the different adjustments to EBITDA, refer to the adjusted EBITDA table above.

2 The comparative adjusted net income number has been increased by €19.0 million to reflect a refinement of the definition of adjusted net income that was made in the year ended December 31, 2022. For further details, see note 9 of the consolidated financial statements for the year ended December 31, 2022.

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SIG will host its 2023 Capital Markets Day in Dusseldorf on the evening of November 21, and at SIG's operations in Linnich on November 22, 2023. This event is for institutional investors and analysts. To register for the event please click here (Password: SIGcmd2023!)
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About SIG

SIG is a leading solutions provider of packaging for better – better for our customers, for consumers, and for the world. With our unique portfolio of aseptic carton, bag-in-box, and spouted pouch, we work in partnership with our customers to bring food and beverage products to consumers around the world in a safe, sustainable, and affordable way. Our technology and outstanding innovation capabilities enable us to provide our customers with end-to-end solutions for differentiated products, smarter factories, and connected packs, all to address the ever-changing needs of consumers. Sustainability is integral to our business, and we strive to create a net positive food packaging system.

Founded in 1853, SIG is headquartered in Neuhausen, Switzerland, and listed at the SIX Swiss Exchange. The skills and experience of our approximately 9,000 employees worldwide enable us to respond quickly and effectively to the needs of our customers in over 100 countries. In 2022, SIG produced 49 billion packs and generated €3.1 billion in pro forma revenue (incl. unaudited revenue from recent acquisitions). SIG has an AA ESG rating by MSCI, a 13.4 (low risk) score by Sustainalytics, a Platinum CSR rating by EcoVadis, and is included in the FTSE4Good Index. For more information, visit our website.

For insights into trends that drive the food and beverage industry, visit the SIG blog.

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This media release contains "forward-looking statements" that are based on our current expectations, assumptions, estimates and projections about us and our industry. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words "may", "will", "should", "continue", "believe", "anticipate", "expect", "estimate", "intend", "project", "plan", "will likely continue", "will likely result", or words or phrases with similar meaning. Undue reliance should not be placed on such statements because, by their nature, forward-looking statements involve risks and uncertainties, including, without limitation, economic, competitive, governmental and technological factors outside of the control of SIG Group AG ("SIG", the "Company" or the "Group"), that may cause SIG's business, strategy or actual results to differ materially from the forward-looking statements (or from past results). For any factors that could cause actual results to differ materially from the forward-looking statements contained in this media release, please see our offering circular for the issue of notes in June 2020. SIG undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise. It should further be noted that past performance is not a guide to future performance. Please also note that quarterly results are not necessarily indicative of the full-year results. Persons requiring advice should consult an independent adviser.

The declaration and payment by the Company of any future dividends and the amounts of any such dividends will depend upon SIG's ability to maintain its credit rating, its investments, results, financial condition, future prospects, profits being available for distribution, consideration of certain covenants under the terms of outstanding indebtedness and any other factors deemed by the Directors to be relevant at the time, subject always to the requirements of applicable laws.

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Some financial information in this media release has been rounded and, as a result, the figures shown as totals in this media release may vary slightly from the exact arithmetic aggregation of the figures that precede them.

In this media release, we utilize certain alternative performance measures, including but not limited to EBITDA, adjusted EBITDA, adjusted EBITDA margin, net capex, adjusted net income, free cash flow and net leverage ratio that in each case are not defined in International Financial Reporting Standards ("IFRS"). These measures are presented as we believe that they and similar measures are widely used in the markets in which we operate as a means of evaluating a company's operating performance and financing structure. Our definition of and method of calculating the alternative performance measures stated above may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles, are not measures of financial condition, liquidity or profitability and should not be considered as an alternative to profit from operations for the period or operating cash flows determined in accordance with IFRS, nor should they be considered as substitutes for the information contained in our consolidated financial statements. You are cautioned not to place undue reliance on any alternative performance measures and ratios not defined in IFRS included in this media release.

Alternative performance measures

For additional information about alternative performance measures used by management (including reconciliations to measures defined in IFRS and the refined definitions of adjusted net income, free cash flow and net capital expenditure) is included in the consolidated financial statements for the year ended December 31, 2022 and in the consolidated interim financial statements for the six months ended June 30, 2023.

Definitions of the Group's alternative performance measures can be found at the following link: https://www.sig.biz/investors/en/performance/definitions