



INTERVIEW WITH CHAIRMAN AND CEO

"A major, unforeseeable crisis. But one that provided lessons to be learned"



DESPITE TURBULENT TIMES, SPADEL REACHED SOME IMPORTANT SUSTAINABILITY MILESTONES.

Marc du Bois
CEO Spadel Group

The year 2020 will for ever remain the Covid year. What was it like for you?

Marc du Bois (MdB): I have been working at this company for 26 years. I thought I'd seen a great deal: takeover bid, the 2009 financial crisis and more. But I never imagined that, together with my teams, I would have to cope with a pandemic. I don't think anyone did. However, despite turbulent times, Spadel reached some important sustainability milestones in 2020. It became the first mineral water producer in Europe to achieve carbon neutrality and the Spa Monopole site has been awarded the Platinum certificate by the Alliance for Water Stewardship (AWS), the most internationally recognised label for sustainable management of water resources. Spa Monopole also becomes the first mineral water producer in Europe to obtain this exceptional certification.

Nonetheless, the financial results are relatively good.

(MdB): I would call it a more than satisfactory year in depressed markets. If we consider the financial performance alone, 2020 may even be described as a very good year, with a sales volume down less than 1% compared with 2019, at 868 million litres sold. We fared relatively well, given the circumstances. In particular because the Spadel group covers two markets: retail (the leading distribution chains), which accounts for 70% of the volumes, and what is known these days as out of home, which accounts for 30%. This market is becoming increasingly big and difficult to comprehend, as it includes the hospitality sector but also on the go, which is a growing activity (i.e. everything we eat and drink when we are out and about, at the petrol pump, in a night shop, a local superette, at the cinema, at caterers, etc.).

Looking at the year quarter by quarter, how would you say it went?

(MdB): We really did go through every stage. Starting with an initial period when we thought the first quarter was going to go well because we had fairly robust plans, ambitious investments and a clear, balanced strategy between retail and out of home. Like a lot of people in Europe, we watched the epidemic in China from a distance. Then it came here. I'll remember 17 March for a long time. That was the date when we went into full lockdown.

A lockdown that prompted a wave of supermarket shopping...

(MdB) : A tsunami! March proved to be the equivalent of a summer month during a heatwave. Worried by the situation, consumers took precautions, stocking up on sugar, flour, pasta, dry foods and... bottled water. For the older generation, it was a wartime reflex.

Traditionally, in our sector, mid-March marks the end of a period of in-depth production line maintenance and the start of pre-season stock building and recruitment of temporary staff to help us during the coming summer. But the health crisis disrupted all our sales and production forecasts.

What were the consequences for your production lines?

(MdB) : I'd mention three main things: one, the lockdown which confined people to their homes. All the water drunk was limited to the home, prompting an explosion in our retail sales and a total halt in the hospitality sector and more widely out of home; two, consumers stuck at home were less tempted by our lemonades and flavoured waters, preferring mineral water; three, we sold only family-sized 1-litre and 1.5-litre plastic bottles.

But didn't the sales volume of these products offset the dead loss on the others?

(MdB): Yes, but behind the commercial repercussions, there are the production lines, which were sometimes boosted (the family-sized bottles), sometimes shut down (glass bottles for the hospitality sector, flavoured waters and lemonades). Our twenty teams or so were unable to cope with the demand. We had to urgently take on 120 temporary workers who, with little training, were sent straight to the production lines, which were operating round the clock. At least those for medium and large plastic bottles. The glass lines were at a standstill and the lines that produce the small size kept going somehow. It was total chaos.

From the point of view of human resources, we also had to manage illness, stress, uncertainty, etc. But at the same time, our staff stepped up to the mark, proud to be in a section of the economy considered to be essential right from the start of the crisis.

In short, the first quarter proved disruptive and disrupted?

(MdB): I'd say it was a most unusual first quarter. Sales in March 2020 were sharply up on March 2019. And for some products, 150 or 180% above forecasts. With excessively low stocks and sometimes even shortages. We assumed that April would be much weaker, as consumers had stocked up like never before and the lockdown was still in force. And that's what happened: -40 % compared with April 2019, with just nine production teams at work.

That forced us to put in place communication and transparency, and maintain very close contact with our social partners. Fortunately, our relations were very good. And the entire management team, headed by me, did regular rounds of the plants to talk with the teams, try to keep them up to the challenge, reassure them, thank them, congratulate them.

And what about your sales staff, your marketing teams... what was the watchword?

(MdB): The Executive Committee very quickly took decisions: to secure the long-term investments - having gone through them with a fine-tooth comb - so as not to jeopardise our brands, and otherwise, to cut costs and avoid all needless expenses. Our marketing teams had to show creativity: they needed to move from the physical media (posters, etc.) to the digital media (television, websites, social networks and so on); cut the budgets that had to be cut; balance the activities planned for their brands, either cancelling or reinventing them, etc.

It was the same for all our teams. They demonstrated great professionalism, a strong commitment and extreme agility - often from a distance. It's a value I really like in our company.

Didn't you have to witness a rise in absenteeism?

(MdB): Of course - and that's not a criticism. With the stringent quarantine rules in force at the time, that was to be expected. In France especially, where the level reached up to 50% at our Alsace plant, which was near a major Covid-19 hotspot. And in Belgium, too, to a lesser extent (up to 25%). Only a small proportion of our staff (the commercial division linked to out of home, in particular) were laid off for economic reasons.



What about the summer and autumn?

(MdB): The second-quarter results were sluggish. Even the fine weather in May and June did not mend matters. Because the hospitality sector was still absent. We were unable to offset these losses in volume, product mix and profit margins, which are better in the hospitality sector than in the retail sector.

The lockdown was eased in June. Activity started up again, but without any certainty as to the future. The weather in July was not good. In August, there was a heatwave.

September was decent. And then came a second lockdown. But this time, it was too late in the year to limit the damage. The budgets had been invested and we had cut costs as much as possible. We had no further room for manoeuvre. There was nothing we could do. We just had to ride out the storm. It was a year no-one will forget.

Did it provide lessons to be learned?

(MdB): Nevertheless, 2020 made us grow up. Our teams showed great maturity. A few years ago, some would have argued that it was impossible for them to cut any costs and find solutions necessary to deal with a crisis like this.

They would have fought for their budget, tooth and nail. In 2020, everyone realised that this was an unprecedented situation and everyone contributed to the efforts made by the company.

Did your three geographic markets react in the same way, with the same intensity?

(MdB): In the Benelux, despite the loss of volume in the hospitality and out-of-home sector on two occasions, especially following the spring lockdown, we gained market shares, which means that Spadel outdid its competitors. In Bulgaria, in a depressed market deprived of the office water cooler business, which is a major activity there, we increased our market share by almost 3%. In France, another difficult market, Wattwiller succeeded in making its mark and Carola stabilised its position.

What can these performances be attributed to? Did Spadel chart a better course through the crisis than its competitors?

Frank Meysman (FM): There is no single reason, and the reasons are both internal and external. First of all, I would point to the preparatory work done for the 2020 budget, guided by a clear strategy, which resulted in precise goals. The wish to gain out-of-home clients was very well understood, explained and translated into concrete actions.

And then there is the strength of our brands in each country, which means that they stand out. Not to mention the innovations. Spa 'Touch of' Still in particular, which was recently launched and has really taken off. Plus Spadel is fortunate enough to be riding good waves, following trends that became significant with Covid, such as healthy living, local, sustainable, with a small carbon footprint, etc. That is the very essence of our mineral and spring waters.

Plus, of course, there is the commitment of our teams.

That gives me a huge sense of satisfaction and pride. They understood the situation and assumed their responsibilities to the full.

Did your relations with the retail sector evolve over the course of 2020?

(MdB): If I compare the situation today with that of five or ten years ago, and especially the very tense situation two years ago, Spadel fulfils its roles as a company and a supplier to the full. The group is the leader in the Benelux and Bulgaria and is firmly established in Alsace. Some retail stores – mainly family or local ones – increasingly prefer to work with a company like ours, rather than with others.

Where are you as regards these virtuous commitments?

(FM): We can congratulate ourselves on a number of fine accolades. It really is part of our DNA to look after our water resources and the nature that surrounds us. In 2010, when we decided to stand out as regards sustainable development, we set goals with dates: 20% reduction in the carbon footprint in 2015 and carbon neutrality across our brands and products by 2020. And we did it. Our plants were already carbon neutral in 2016, but the purchasing and logistics division still had to be reformed along these lines. That has now been accomplished. Few companies in Europe can say as much. Which has earned us a certain amount of recognition. In 2020, Spa Monopole received Platinum certification from the AWS (Alliance for Water Stewardship) for the sustainable management of water resources. It is the first site in Europe and the second in the world to obtain this label.





IN LINE WITH OUR COMMITMENTS MADE FOR 2025 AND 2030, WE WILL CONTINUE OUR EFFORTS TO REDUCE OUR PLASTIC CONSUMPTION, WITH THE AIM TO BECOME ONE DAY PLASTIC-FREE.

Frank Meysman
Chairman of the Board of Directors, Spadel Group

You say that it's part of Spadel's DNA to look after its water resources and the nature that surrounds them. That's linked, so isn't it natural?

{MdB}: It's far more than that. In the coming months, biodiversity will become an issue for Spadel, but also for others in the minerals sector. I am convinced that tomorrow's consumer will choose Spadel not just for the quality of its water and the good communication around this product, but also for all the initiatives that the company takes in terms of respect for the environment, biodiversity, protection of bees, etc. Covid, which has caused Belgians to rediscover the beauty of their country, the forests, their immediate surroundings, is part of this. This aspect of untamed, protected nature, which Spadel has highlighted through its products for years, is set to become increasingly important.

And to captivate young talents?

{MdB}: All these initiatives, in addition to incentivising me day in, day out, also gather together many people in the group. That awakens the interest of new talents who take a look at us and come and join us. The 2025 strategy includes one element in particular that pleases me: returning 5% of the group's profits to society. That, too,

sends out a powerful signal which I believe will appeal to the young, committed generation.

Are you maintaining your ambitions as regards reducing plastic packaging?

{FM}: Definitely, even though in 2020 plastic bashing was less virulent than previously. It's a heads-up, but with the health crisis, plastic has virtually ceased to be decried and has instead in one sense become life-saving: an element of food safety. It's symptomatic of the world we live in, where everything happens very quickly, where trends gain or lose interest from one day to the next. This is why it is so crucial for companies to be agile and resilient.

That said, true to our commitments, we continued to work on plastic packaging in 2020, prompted by our desire to be pioneers, or at least leaders in sustainability.

What do you anticipate for 2021?

{MdB}: We have put together a robust and ambitious budget. From the point of view of investment, it is a year that I would describe as 'normal' (between 15 and 20 million committed). We will be putting funds into innovations, additional products, production line improvements and more.

For that matter, there is some good news: 2022 sees the final instalment of the loan taken out for the acquisition of Devin in Bulgaria in late 2017. The cash position, which currently stands at EUR 80 million, will rise by just under 20 million. So the way will be open for the next step! Because crises also bring opportunities. We are scanning the markets in search of another acquisition. There's nothing concrete, but we're underway again.

2020 and its lockdowns brought lessons to be learned, you said. In practical terms, will we see some of these take effect in 2021?

{FM}: Several. But it's too soon to talk about them yet. However, I can say that linked to our commitments for 2025 and 2030, we will be continuing our efforts to reduce our use of plastic. To the point where we may be able to do without it entirely one day. And this is the case despite the fact, and I continue to say so even though it irritates some people, if they are thrown away in the right place and therefore properly recovered and recycled, disposable plastic bottles have a smaller carbon footprint than glass ones.

So reassured as you, can you reassure?

{MdB}: Our group will emerge from this pandemic even stronger thanks to the professionalism of the teams and the strength of our brands. Throughout the management of this crisis, we have displayed great agility and corporate spirit by attempting to reinvent ourselves. As we did not wish to break with our medium- and long-term ambitions, our investment plans have been continued. Our vision of sustainability is bearing fruit and convinces our clients and our consumers of the interest of local, healthy products that are carbon neutral and respect the environment.