deceuninck group

Press Release

Regulated Information – H1 2018 results

Under embargo until Friday 17 August 2018 at 17:45h CET

EBITDA grows a solid 10% driven by recent investments and strong business development in the United States and Emerging Markets, despite increased volatility in Turkey in H1.

Sales	Adj. EBITDA	EU PVC Index	TRY (Avg. H1)
€ 341.5 m	€ 36.1 m	1,117 €/T	4.96
+0.8%	+10.4%	+3.9%	-25.8%

Note: % = change versus H1 2017

- **H1 2018 sales** increased 0.8% to € 341.5 million with strong sales in Emerging Markets and in the US. Price increases to mitigate higher raw material prices, inflation and unfavourable FX effects have been implemented.
- **Adjusted EBITDA** increased to € 36.1 million (H1 2017: € 32.7 million), mainly thanks to a strong performance in North America as well as in Turkey and Emerging Markets, driven by higher volumes (thanks to both new customer acquisitions and market growth), the payback from investments done in recent years, and price increases offsetting higher raw material prices and inflation. As a result, Adj. EBITDA-margin increased to 10.6% versus 9.7% in H1 2017.
- **Net profit** decreased to € 7.5 million (H1 2017: € 8.2 million) as the € 3.4 million higher Adj. EBITDA has been offset by € 2.9 million higher financial charges, which are mainly explained by the devaluation of the Turkish Lira, and one-off effects.
- **Net financial debt** on 30 June 2018 amounted to € 126.3 million compared to € 108.3 million on 30 June 2017, resulting in a net financial debt / LTM Adj. EBITDA ratio of 1.8x.
- Strategic **investments** are on track. Efficiency gains in Turkey and the improvement of the underlying business performance in the US are showing that the investments from recent years are starting to pay off.

Francis Van Eeckhout, CEO, comments:

"We are in general pleased with the progress we made in the first half of 2018 despite the significant headwind we continue to get from raw materials, currencies and the volatility in the Turkish market. Recent investments are paying off and our innovations are well received by the market. We continue to work on further reducing the ecological footprint of our products."

Summary of consolidated Income Statement

(in € million)	30 June 2017 Unaudited	30 June 2018 Unaudited
Sales	338.7	341.5
Gross profit	98.7	102.3
Gross-margin (%)	*29.1%*	*29.9%*
EBITDA	33.3	36.1
Adjusted EBITDA	32.7	36.1
Adjusted EBITDA-margin (%)	*9.7%*	*10.6%*
EBIT	18.5	21.0
Financial result	(7.0)	(9.9)
EBT	11.5	11.1
Income taxes	(3.3)	(3.6)
Net profit	8.2	7.5

Sales breakdown

% OF SALES		TOTAL H1	WESTERN EUROPE	CENTRAL & EASTERN EUROPE	TURKEY & EMERGING MARKETS	NORTH AMERICA
SALES (in € million)	**2017**	**338.7**	**91.7**	**81.1**	**101.5**	**64.4**
Volume		4.1%	(3.2%)	(5.0%)	5.9%	5.4%
Exchange rate		(10.1%)	(0.3%)	(1.2%)	(25.3%)	(11.3%)
Other (price & mix)		6.8%	3.8%	3.2%	25.7%	3.7%
Total		0.8%	0.2%	(2.9%)	6.3%	(2.2%)
SALES (in € million)	**2018**	**341.5**	**91.9**	**78.8**	**107.9**	**63.0**

In H1 2018 Deceuninck realized € 341.5 million sales, compared to € 338.7 million in H1 2017.

Sales in **Western Europe** stabilized at € 91.9 million (H1 2017: € 91.7 million). Volume growth in nearly all countries has been offset by a significant decline in Belgium, partially as people have delayed the purchase of a new home till new fiscal regulations entered into force on June 1st 2018. Price increases have been implemented to cover for higher raw material prices and inflation.

In **Central and Eastern Europe** sales decreased 2.9% to € 78.8 million (H1 2017: € 81.1 million), as lower volumes (mainly in Germany and the Czech Republic) and the weakening of the RUB (-14.7% vs H1 2017) have only partially been compensated by price increases which are necessary to cover for higher raw material prices and inflation.

Sales in **Turkey & Emerging Markets** increased 6.3% to € 107.9 million (H1 2017: € 101.5 million) thanks to higher volumes on the Turkish domestic market and strong business development in Emerging Markets.

North America realised strong volume growth (+5.4%) thanks to strong business development and new customers joining Deceuninck. This was however offset by the weakening of the USD (-11% vs H1 2017).

Operating and financial results

Adjusted EBITDA increased to € 36.1 million (H1 2017: € 32.7 million), mainly thanks to a strong performance in Turkey and Emerging Markets as well as in North America, driven by higher volumes (thanks to both new customer acquisitions and market growth), the payback from investments done in recent years, and price increases offsetting higher raw material prices and inflation. As a result, Adj. EBITDA-margin increased to 10.6% versus 9.7% in H1 2017.

The **Operating Result (EBIT)** amounted to € 21.0 million (H1 2017: € 18.5 million), as the increase in Adjusted EBITDA is partially offset by an increase in depreciation expenses from € 14.7 million in H1 2017 to € 15.0 million in H1 2018.

The **Financial result** amounted to € (9.9) million (H1 2017: € (7.0) million). This increase is explained by the higher financial debt, higher FX-losses on EUR-denominated loans in Turkey and higher interest rates on TRY-denominated loans.

Income tax expenses remained stable at € (3.6) million (H1 2017: € (3.3) million).

As a consequence of the above, **net profit** in H1 2018 decreased slightly to € 7.5 million (€8.2m in H1 2017).

Summary of consolidated Balance Sheet

(in € million)	31 December Audited	30 June Unaudited
Total Assets	558.6	591.0
Equity	257.6	253.9
Net debt	118.3	126.3
Capital expenditure	54.2	28.7
Working capital	135.9	140.2

Working capital on 30 June 2018 slightly increased to 20.3% of LTM sales compared to 19.9% on 30 June 2017, which is mainly explained by higher inventory levels in Western Europe (to ensure service levels during SAP transition) and in the US (to ensure service levels while being confronted with a very tight labour market), and by the negative impact of price increases (necessary to compensate for the devaluation of the Turkish Lira) on working capital. This is partially offset by the related trade payables, the decision to evolve to longer payment terms granted by raw materials suppliers, and an optimisation of customer payment terms. Factoring at the end of June 2018 amounted to € 30.2 million (vs € 35.8 million end of June 2017).

Capital expenditures in H1 2018 amounted to € 28.7 million compared to € 24.4 million in H1 2017.

Net financial debt on 30 June 2018 amounted to € 126.3 million compared to € 108.3 million on 30 June 2017, resulting in a net financial debt / LTM Adj. EBITDA ratio of 1.8x.

Outlook

Supported by available market research[1], we expect global demand for vinyl and hybrid window systems to continue to grow at superior rates, on the back of superior insulation, cost-effectiveness, low maintenance and improved aesthetics.

Although we believe the long term fundamentals for Turkey remain solid, we take into account that there might be a slowdown in the 2nd half of 2018.

In addition we anticipate continued headwind from raw material prices and adverse currency movements. We continue to take the necessary actions which are expected to restore margins over time.

Statement of the auditor

Our statutory auditor, Ernst & Young Bedrijfsrevisoren BCVBA represented by Marnix Van Dooren, has confirmed that the audit procedures on the consolidated financial statements, which have been substantially completed, have not revealed any material adjustments which would have to be made to the accounting data included in the present press release.

[1] Global Market Insights, Window and Door System Market Report, 2024; The Freedonia Group: Windows Market in the US, 2017

Annex 1: Consolidated Income Statement

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	2017 Unaudited	2018 Unaudited
SALES	**338,712**	**341,516**
Cost of goods sold	(240,055)	(239,248)
GROSS PROFIT	**98,656**	**102,269**
Marketing, sales and distribution expenses	(53,968)	(54,750)
Research and development expenses	(4,288)	(4,317)
Administrative and general expenses	(22,199)	(22,336)
Other net operating result	328	167
OPERATING PROFIT (EBIT)	**18,528**	**21,032**
Financial result	(6,987)	(9,935)
PROFIT BEFORE TAXES (EBT)	**11,541**	**11,098**
Income taxes	(3,303)	(3,602)
NET PROFIT	**8,238**	**7,496**

THE NET PROFIT IS ATTRIBUTABLE TO (in € thousand)	2017	2018
Shareholders of the parent company	7,829	7,132
Non-controlling interests	408	364

EARNINGS PER SHARE DISTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY (in €)	2017	2018
Normal earnings per share	0.06	0.05
Diluted earnings per share	0.06	0.05

Annex 2: Consolidated statement of financial position

(in € thousand)	31 December 2017 Audited	30 June 2018 Unaudited
Assets		
Intangible fixed assets	6.119	6.462
Goodwill	10.677	10.654
Tangible fixed assets	252.945	257.081
Financial fixed assets	65	99
Deferred tax assets	10.707	8.874
Long-term receivables	1.765	929
Non-current assets	**282.278**	**284.100**
Inventories	114.342	136.194
Trade receivables	109.036	117.538
Other receivables	9.422	9.851
Cash and cash equivalents	41.993	41.951
Fixed assets held for sale	1.529	1.370
Current assets	**276.322**	**306.904**
Total assets	**558.600**	**591.004**

Equity and liabilities		
Issued capital	53.788	53.868
Share premiums	87.887	88.120
Consolidated reserves	207.923	210.698
Cash flow hedge reserve	-	-
Actuarial gains / losses	(6.291)	(4.339)
Treasury shares	(115)	(560)
Currency translation adjustments	(87.957)	(96.545)
Equity excluding non-controlling interest	**255.235**	**251.242**
Non-controlling interest	2.601	2.647
Equity including non-controlling interest	**257.626**	**253.888**
Interest-bearing loans	129.599	131.513
Long-term provisions	27.811	25.041
Deferred tax liabilities	1.684	1.867
Non-current liabilities	**159.094**	**158.421**
Interest-bearing loans	30.720	36.726
Trade payables	87.488	113.581
Tax liabilities	5.048	5.654
Employee related liabilities	13.114	13.954
Short-term provisions	1.616	1.453
Other liabilities	3.895	7.325
Current liabilities	**141.881**	**178.694**
Total equity and liabilities	**558.600**	**591.004**

Annex 3: Consolidated statement of Cash Flows

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	2017 Unaudited	2018 Unaudited
Profit (+) / loss (-)	8.238	7.496
Depreciations & Impairment	14.744	15.036
Net financial charges	6.987	9.935
Income taxes	3.303	3.602
Inventory write-off (+ = cost / - = inc)	(161)	351
Trade AR write-off (+ = cost / - = inc)	(582)	(483)
Operational unreal. FX result (+ = cost / - = inc)	1.696	732
Long term provisions (+ = cost / - = inc)	198	(277)
Gain / Loss on disposal of (in)tang. FA (+ = cost / - = inc)	31	(135)
GROSS OPERATING CASH FLOW	**34.455**	**36.257**
Decr / (incr) in inventories	(28.993)	(26.403)
Decr / (incr) in trade AR	(7.734)	(18.725)
Incr / (decr) in trade AP	9.852	29.287
Decr / (incr) in other operating assets/liabilities	5.671	2.795
Income taxes paid (-) / received (+)	(846)	(781)
CASH FLOW FROM OPERATING ACTIVITIES	**12.404**	**22.429**
Purchases of (in)tangible FA (-)	(24.448)	(28.666)
Proceeds from sale of (in)tangible FA (+)	3.957	356
CASH FLOW FROM INVESTMENT ACTIVITIES	**(20.491)**	**(28.310)**
Capital incr (+) / decr (-)	1.085	57
Dividends paid (-) / received (+)	(4.126)	(4.063)
Financial cash cost (-) / inc (+)	(3.432)	(2.886)
New (+) / repayments (-) of long-term debts	1.506	6.559
New (+) / repayments (-) of short-term debts	(7.239)	7.392
CASH FLOW FROM FINANCING ACTIVITIES	**(12.206)**	**7.059**

Net increase / (decrease) in cash and cash equivalents	**(20.293)**	**1.178**
Cash and cash equivalents as per beginning of period	**72.425**	**41.993**
Impact of exchange rate fluctuations	(3.256)	(1.219)
Cash and cash equivalents as per end of period	**48.877**	**41.951**

Financial calendar

17 August 2018	H1 2018 results
21 February 2019	FY 2018 results

Glossary

Adj. EBITDA	Recurring earnings before interest, taxes, depreciation / impairments of fixed assets as well as amortisation/impairment of goodwill and effect of negative goodwill = EBITDA excluding non-recurring costs/benefits, e.g. restructuring costs = recurring operating cash flow
Adj. EBITDA-margin	Adj. EBITDA compared to sales
LTM Adj. EBITDA	Adj. EBITDA realized over the last twelve months
Net Financial Debt	Financial debts – cash and cash equivalents

End of press release

About Deceuninck

Founded in 1937, Deceuninck is a top 3 independent manufacturer of PVC and composite profiles for windows and doors. Headquartered in Hooglede-Gits (BE), Deceuninck is organized in 4 geographical segments: Western Europe, Central & Eastern Europe, North America and Turkey & Emerging Markets. Deceuninck operates 15 vertically integrated manufacturing facilities, which together with 21 warehousing and distribution facilities guarantee the necessary service and response time to Customers. Deceuninck strongly focuses on innovation, ecology and design. Deceuninck is listed on Euronext Brussels ("DECB").

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