



Press Release | H1 2020 Financial Results

Regulated Information

Tuesday 18 August 2020 at 7:00h CET

Profitable growth in Q1 and resilient performance in Q2 drive overall strong cash generation

Sales
€ 289.2m (-7.4%)

Adj. EBITDA
€ 27.8m (vs €30.2m LY)

Net Debt
€ 118m (vs €150m LY)

Executive Summary

- Deceuninck's first priority is the health and safety of its employees. Thanks to the strict implementation of various precautionary measures, we only suffered a limited number of isolated Covid-19 cases amongst our employees, and all are back in good health.
- H1 2020 Adj. EBITDA remains broadly stable at €27.8m or 9.6% on sales (vs €30.2m or 9.7% LY) despite a 7.4% drop in sales due to Covid-19. There is however a significant difference between Q1 and Q2 performance:
 - We realized strong profitable growth in Q1 with sales up 5.5% and Adj. EBITDA doubling to €14.0m, driven by market share gains in North America, an improving economic environment in Turkey and the first / preliminary benefits from the strategic repositioning of Europe.
 - Performance in Q2 proved to be highly resilient with Adj. EBITDA amounting to €13.8m or 10.1% on sales despite an 18.6% drop in sales, thanks to our flexible cost structure, immediate reaction and diversified international footprint.
- Cash flow generation has been strong with net debt decreasing €32m to €118 (leverage 2.0x) compared to €150m in H1 2019 (leverage 2.1x).
 - Most of this decrease is structural, and results from further optimization of working capital and the normalization of CAPEX following the finalization of the large 2016-2019 investment program.
 - A limited part is considered temporary and reflects the impact of lower volumes on working capital and various one-off measures
- Although the immediate future remains highly uncertain, we remain positive about our long term potential. Despite the crises, our growth drivers remain intact: there is an increasing need for housing and renovation in order to meet the needs of a growing population and climate change targets. July 2020 performance proved to be strong.
- We are pleased to welcome Joren Knockaert as new Managing Director of Deceuninck North America, succeeding Filip Geeraert who announced his retirement earlier this year. Joren acquired extensive global experience with Mohawk Industries and Bekaert in various senior management functions in Belgium, the United States and China. Filip Geeraert will continue to serve the company as Chairman of Deceuninck North America.
- The Half Year Report 2020 is available on our website at www.deceuninck.com/Investors



Quote of the CEO, Francis Van Eeckhout

“Despite the significant impact of the Covid-19 pandemic, our performance remained highly resilient and allowed us to significantly reduce financial debt. This is explained by our flexible cost structure, our diversified geographical footprint, as well as by the agility and determination of our management teams worldwide. I would like to express my sincere respect towards all our employees who were confronted with these very challenging conditions and did what is necessary to weather the storm. Our long term growth drivers remain intact and the execution of our strategic projects is on track so I am confident that we will resume profitable growth as we emerge from this global crisis.”

Figure 1 : Summary of consolidated Income Statement

(in € million)	June 2019 Unaudited	June 2020 Unaudited	% yoy
Sales	312.5	289.2	(7.4%)
Gross profit	92.8	88.9	(4.3%)
Gross-margin (%)	29.7%	30.7%	+1.0pp
EBITDA	29.4	26.4	(10.0%)
Adj. EBITDA	30.2	27.8	(7.8%)
Adj. EBITDA-margin (%)	9.7%	9.6%	-0.0pp
EBIT	9.3	6.0	(35.8%)
Financial result	(11.1)	(9.3)	(15.5%)
EBT	(1.8)	(3.5)	95.9%
Income taxes	0.6	0.0	(95.3%)
Net profit / (loss)	(1.2)	(3.4)	182.3%

Figure 2: Summary of consolidated Balance Sheet

(in € million)	June 2019 Unaudited	June 2020 Unaudited	% yoy
Total assets	605.6	607.0	0.2%
Equity	248.0	219.6	(11.4%)
Net debt	150.2	118.4	(21.1%)
Capital expenditure	16.0	8.9	(44.2%)
Working capital	105.5	88.8	(15.9%)

Figure 3: Sales evolution by region

(in € million)	H1 2019	Chg. Q1 (%)	Chg. Q2 (%)	H1 2020	Chg. H1 (%)
Europe*	173.1	(4.1%)	(24.6%)	147.0	(15.1%)
Turkey & EM*	75.3	5.4%	(22.6%)	68.4	(9.2%)
North America	64.2	32.8%	1.2%	73.9	15.1%
Total	312.5	5.5%	(18.6%)	289.2	(7.4%)

* From 01.01.2020, Romania is reported as part of Europe instead of part of the Emerging Markets. In order to have comparable data in the table above, H1 2019 sales in Romania have been reallocated from Turkey & EM to Europe.

Management comments

Sales

Consolidated H1 2020 sales decreased by 7.4% to € 289.2m, compared to € 312.5m in H1 2019. After an increase by 5.5% in Q1, sales decreased by 18.6% in Q2 due to the various measures governments had to take to mitigate the spread of the virus.

Sales evolution in Q2 has shown a similar pattern in all regions whereby the April sales were impacted significantly by Covid-19, followed by a relatively quick recovery as of June.

Europe is the region that has been hit first by Covid-19. From early March various construction sites, mainly in Western Europe, were forced to stop, which had an immediate impact on our business despite a well-filled order book. From mid-April onwards our customers could gradually resume operations to reach normal activity levels again in June. Overall, sales in Europe decreased by 15.1% to € 147.0m (H1 2019: € 173.1m).

Despite the impact of Covid-19, sales in **North America** increased in H1 2020 by 15.1% to € 73.9m (H1 2019: € 64.2m) thanks to the acquisition of new large customers which compensates for the negative impact of Covid-19. Continued low mortgage rates and a growing population further supported the housing market, despite high unemployment data released in recent months.

Sales in **Turkey & Emerging Markets** decreased by 9.2% to € 68.4m (H1 2019: € 75.3m). Q1 2020 sales rose by 5.4% versus Q1 2019 thanks to an improving economic environment (lower interest rates and inflation) in Turkey, however this is entirely offset by the impact of Covid-19 in Q2.

Income statement

H1 2020 **Adjusted EBITDA** remains broadly stable at €27.8m or 9.6% on sales (vs 30.2m or 9.7% LY) despite a 7.4% drop in sales due to Covid-19. There is however a significant difference between Q1 and Q2 performance. We realized strong profitable growth in Q1 with sales up 5.5% and Adj. EBITDA nearly doubling to €14.0m, driven by market share gains in North America, an improving economic environment in Turkey and the first / preliminary benefits from the strategic repositioning of Europe. Performance in Q2 proved to be highly resilient with Adj. EBITDA amounting to €13.8m or 10.1% on sales despite an 18.6% drop in sales, thanks to our flexible cost structure, immediate reaction and diversified international footprint.

Depreciations in H1 2020 slightly increased to € 20.5m (H1 2019: € 20.1m).

Non-recurring costs amount to € 1.4m and mainly include one off restructuring expenses in North America and platform migration expenses in Europe.

As a consequence of the above the **Operating Result (EBIT)** decreased to € 6.0m (H1 2019: € 9.3m).

The **Financial result** improved from € (11.1)m in H1 2019 to € (9.3)m in H1 2020 as a result of normalizing interest rates in Turkey.

Net loss increased from a loss of € 1.2m in H1 2019 to a loss of € 3.4m in H1 2020, representing a loss per share of € 0.03 (H1 2019: loss of € 0.01).

Cash Flow and Balance sheet

Cash flow generation has been strong with net debt decreasing €32m to €118 (leverage 2.0x) compared to €150m in H1 2019 (leverage 2.1x).

Most of this decrease is structural, and results from further optimization of working capital and the normalization of CAPEX following the finalization of the large 2016-2019 investment program. A limited part is considered temporary and reflects the impact of lower volumes on working capital and various one-off measures.

Strategic projects

Despite the temporary shutdown of plants across the world and homeworking for virtually all white collars, the implementation of our most important strategic projects has continued throughout Q2.

Outlook

Although the immediate future remains highly uncertain, we remain positive about our long term potential. Despite the crises our growth drivers remain intact: there is an increasing need for housing and renovation in order to meet the needs of a growing population and climate change targets.

July performance proved to be strong.

Annex 1: Consolidated Income Statement

(in € million)	H1 2019	H1 2020
Sales	312.5	289.2
Cost of goods sold	(219.7)	(200.3)
Gross profit	92.8	88.9
Marketing, sales and distribution expenses	(56.3)	(58.1)
Research and development expenses	(3.9)	(3.3)
Administrative and general expenses	(23.4)	(20.4)
Other net operating result	0.0	(1.2)
Operating profit (EBIT)	9.3	6.0
Financial result	(11.1)	(9.3)
Profit / (loss) before taxes (EBT)	(1.8)	(3.5)
Income taxes	0.6	0.0
Net profit / (loss)	(1.2)	(3.4)
Adj. EBITDA	30.2	27.8

The net profit / (loss) is attributable to: (in € million)	H1 2019	H1 2020
Shareholders of the parent company	(1.3)	(3.6)
Non-controlling interests	0.1	0.1

Earnings per share distributable to the shareholders of the parent company (in €):	H1 2019	H1 2020
Normal earnings per share	(0.01)	(0.03)
Diluted earnings per share	(0.01)	(0.03)

Annex 2: Consolidated statement of financial position

(in € million)	31 December Audited	30 June Unaudited
Assets		
Intangible fixed assets	3.7	2.7
Goodwill	10.6	10.6
Tangible fixed assets	299.2	270.1
Financial fixed assets	0.0	(0.0)
Investment in a joint venture	2.9	0.4
Deferred tax assets	4.5	5.6
Long-term receivables	0.9	1.0
Non-current assets	321.8	290.3
Inventories	109.1	114.4
Trade receivables	78.1	64.6
Other receivables	12.0	11.5
Cash and cash equivalents	52.8	114.7
Fixed assets held for sale	1.6	11.5
Current assets	253.6	316.7
Total assets	575.4	607.0

Equity and liabilities		
Issued capital	53.9	53.9
Share premiums	88.3	88.3
Consolidated reserves	200.4	197.3
Actuarial gains / losses	(7.6)	(6.9)
Treasury shares	(0.1)	(0.1)
Treasury shares held in subsidiaries	(0.5)	(0.0)
Currency translation adjustments	(103.8)	(115.2)
Equity excluding non-controlling interest	230.7	217.3
Non-controlling interest	2.4	2.3
Equity including non-controlling interest	233.1	219.6
Interest-bearing loans including lease liabilities	140.5	143.4
Other long term liabilities	0.1	0.1
Long-term provisions	27.3	26.5
Deferred tax liabilities	0.7	0.9
Non-current liabilities	168.6	170.9
Interest-bearing loans including lease liabilities	52.4	89.7
Trade payables	92.7	90.2
Tax liabilities	3.7	8.8
Employee related liabilities	12.0	15.1
Short-term provisions	8.3	5.6
Other liabilities	4.7	7.1
Current liabilities	173.7	216.5
Total equity and liabilities	575.4	607.0
Total net debt	140.2	118.4

Annex 3: Consolidated statement of Cash Flows

For the 6 month period ended per 30 June (in € million)	2019 Unaudited	2020 Unaudited
Profit (+) / loss (-)	(1.2)	(3.4)
Depreciations & Impairment	20.1	20.5
Net financial charges	11.1	9.4
Income taxes	(0.6)	(0.0)
Inventory write-off (+ = cost / - = inc)	0.4	3.1
Trade AR write-off (+ = cost / - = inc)	0.1	5.4
Long term provisions (+ = cost / - = inc)	0.4	(1.8)
Gain / Loss on disposal of (in)tang. FA (+ = cost / - = inc)	(0.1)	(0.1)
Fair value adjustments equity accounted investees	(0.1)	2.6
GROSS OPERATING CASH FLOW	30.0	35.7
Decr / (incr) in inventories	(8.2)	(13.3)
Decr / (incr) in trade AR	5.1	3.0
Incr / (decr) in trade AP	(6.2)	1.3
Decr / (incr) in other operating assets/liabilities	5.7	8.7
Income taxes paid (-) / received (+)	(2.6)	0.1
CASH FLOW FROM OPERATING ACTIVITIES	23.8	35.6
Purchases of (in)tangible FA (-)	(16.0)	(8.9)
Proceeds from sale of (in)tangible FA (+)	0.3	1.7
CASH FLOW FROM INVESTMENT ACTIVITIES	(15.8)	(7.2)
Capital incr (+) / decr (-)	0.5	0.5
Dividends paid (-) / received (+)	(4.1)	(0.1)
Interest received (+)*	3.2	1.0
Interest paid (-)	(5.1)	(3.0)
Net financial result, excl interest	(17.6)	1.0
New (+) / repayments (-) of long-term debts	(10.0)	(1.9)
New (+) / repayments (-) of short-term debts	8.8	40.7
CASH FLOW FROM FINANCING ACTIVITIES	(24.2)	38.1
Net increase / (decrease) in cash and cash equivalents	(16.1)	66.5
Cash and cash equivalents as per beginning of period	65.8	52.8
Net increase / (decrease) in cash and cash equivalents	(16.1)	66.5
Impact of exchange rate fluctuations	(4.1)	(4.6)
Cash and cash equivalents as per end of period	45.6	114.7

* H1 2019 cash flow has been restated to reflect the amended classification of Interest received as Cash Flow from Financing Activities instead of Cash Flow from Operating Activities from 01.01.2020.

Financial calendar

18 August 2020	H1 2020 results
24 August 2020	Investor contact – Cancelled due to Covid-19
16 September 2020	Kepler Cheuvreux Roadshow Paris (TBC)

Glossary

EBITDA	EBITDA is defined as operating profit / (loss) adjusted for depreciation / amortization and impairment of fixed assets.
Adjusted EBITDA	Adjusted EBITDA is defined as operating profit / (loss) adjusted for (i) gains on asset disposals, (ii) integration and restructuring expenses, (iii) depreciation / amortization and (iv) impairment of fixed assets.
LTM Adjusted EBITDA	Adjusted EBITDA for the prior twelve consecutive months
EBITA	Earnings before interest, taxes and amortization
EBIT	Earnings before interest and taxes = operational result
EBT	Earnings before taxes
EPS (non-diluted)	(Non-diluted) earnings per share
EPS (diluted)	(Diluted) earnings per share
Net debt	Financial debts – cash and cash equivalents
Working capital	Trade receivables + inventories – trade debts
Capital employed (CE)	The sum of goodwill, intangible, tangible and financial fixed assets and working capital
Headcount (FTE)	Total Full Time Equivalents including temporary and external staff

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 3 geographical segments: 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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