deceuninck

Press Release | FY 2021 Financial Results

Regulated Information
Thursday 24 February 2022 at 7:00h CET

Record Sales and EBITDA

Sales	Adj. EBITDA	Net Result	Net Debt
€ 838.1m	**€ 97.7m**	**€ 37.2m**	**€ 61.9m**
(€ 642.2m LY)	(€ 86.0m LY)	(€ 25.6m LY)	(€ 55.5m LY)

Executive Summary

- Strong sales growth in all regions results in record sales of € 838.1m (+30.5%)
- Volume growth (+13.3%) driven by robust demand from buoyant residential construction market
- Record Adj. EBITDA at € 97.7m (+13.6%) despite severe headwind from skyrocketing raw material prices and supply chain constraints
- Earnings per Share: € 0.25 - Proposed dividend: € 0.06 (subject to approval AGM)
- Leverage remains stable at 0.6x. Working capital on sales further improves to 10.1%
- Annual report available at www.deceuninck.com/investors

Quote of the CEO, Bruno Humblet

"We are satisfied with the results of 2021. Despite covid-19, we achieved very good results for the second year in a row, reaching an Adjusted EBITDA of almost € 100 million. It has been a challenging year though. Continuously rising raw material prices forced us to increase our selling prices several times, while supply chain interruptions and availability of labour caused below standard delivery performance towards our customers. Restoring delivery performance will be a key attention point for 2022. Also, further increase of profit margins will remain a priority. An Adj. EBITDA-margin of 11.7% is in the current circumstances a good result, but in the longer term, we must aim higher."

Figure 1: Summary of consolidated Income Statement

(in € milion)	H2 2020	H2 2021	*%y-o-y*	FY 2020	FY 2021	*%y-o-y*
Sales	**352,9**	**434,1**	***23,0%***	**642,2**	**838,1**	***30,5%***
Gross profit	114,7	111,0	*(3,2%)*	203,5	229,7	*12,8%*
Gross-margin (%)	*32,5%*	*25,6%*	*-6,9pp*	*31,7%*	*27,4%*	*-4,3pp*
EBITDA	59,1	44,5	*(24,7%)*	85,5	92,8	*8,6%*
Adj. EBITDA	**58,2**	**46,7**	***(19,8%)***	**86,0**	**97,7**	***13,6%***
Adj. EBITDA-margin (%)	*16,5%*	*10,8%*	*-5,7pp*	*13,4%*	*11,7%*	*-1,7pp*
EBIT	**39,9**	**25,0**	***(37,3%)***	**45,9**	**54,3**	***18,3%***
Financial result	(5,9)	(9,4)	*57,6%*	(15,4)	(14,6)	*(5,1%)*
Profit / (loss) before taxes (EBT)	33,9	15,7	*(53,9%)*	30,5	39,7	*30,1%*
Income taxes	(5,0)	1,0	*(119,5%)*	(4,9)	(2,5)	*(49,2%)*
Net profit / (loss)	**29,0**	**16,6**	***(42,7%)***	**25,6**	**37,2**	***45,4%***

Figure 2: Summary of consolidated Balance Sheet

(in € milion)	FY 2020	FY 2021	*%y-o-y*
Total Assets	599,4	675,1	*12,6%*
Equity	246,3	258,9	*5,1%*
Net Debt	55,5	61,9	*11,6%*
Capital expenditure	23,5	43,6	*85,0%*
Working capital	74,2	84,3	*13,6%*

Figure 3: Sales evolution by region

(in € milion)	FY 2020	Volume	FX	Price / Mix	FY 2021	% y-o-y
Europe	317,3	16,9%	0,2%	12,5%	411,4	29,7%
North America	159,6	2,7%	-4,0%	16,0%	183,2	14,7%
Turkey & EM	165,3	15,5%	-37,5%	69,4%	243,5	47,4%
Total	**642,2**	**13,3%**	**-10,5%**	**27,7%**	**838,1**	**30,5%**

Management comments

Business environment

The residential construction market, both new build and renovation, has continued to perform well in H2 2021. Savings accumulated during lockdowns and fiscal stimulus money often have been spent on home improvement. New build has continued to benefit from structural housing shortages, especially in the US. Finally, the more general context of economic upturn and higher consumer confidence has been supportive to our business as well.

Rising inflation in our core regions (Europe, North America and Turkey) has had a significant impact on our cost base. Robust demand and supply chain disruptions fueled a strong increase in raw material prices. PVC-prices have on average been 75% more expensive in 2021 than they were in 2020. Other raw materials such as additives were on average 16% more expensive. In addition, also labour, energy and transportation costs have increased considerably as a result of inflation.

Availability of raw materials has been an issue as well. The high number of force majeures at raw materials producers have caused 'out of stocks' of additives and foils leading to delivery hiccups towards our customers. PVC supply has been very tight throughout the year, but did not cause production stops.

Labour shortage, especially in the US, has continued all year long. It has proven extremely difficult to re-hire[1], attract and retain labour force. In addition, the high absenteeism amongst blue collar workers due to covid-19 related self-isolation measures had an important impact on the operational efficiency in our factories.

Income Statement

Consolidated sales in 2021 increased to a new record of € 838.1m, up 30.5% from € 642.2m in 2020.

Continued strong demand in all regions from the residential construction market resulting in higher volumes and price increases to mitigate the effect of higher raw material costs, inflation and FX have been the main drivers for this increase.

The Adj. EBITDA for the year increased to € 97.7m (+13.6% vs 2020), which is the highest number in the history of the company. Higher sales volumes have been the main driver for this record Adj. EBITDA.

The Adj. EBITDA-margin decreased from 13.4% in 2020 to 11.7% in 2021, which is still well above the historical performance. The reasons for this margin erosion are diverse. Firstly, there is an (unavoidable) delay of about three months in the pass-through of higher raw material prices into higher selling prices. Secondly, labour shortages and supply chain disruptions have led to inefficiencies in production and logistics. Next, the Adj. EBITDA-margin in H2 2020 was exceptionally high because of the extraordinarily low prices of raw materials purchased in Q2 2020 and reflected in the result of H2 2020. And finally, the pass-through of higher costs into higher selling prices to protect margins in absolute numbers has a dilutive effect on the margin percentage.

Adj. EBITDA-items (difference between EBITDA and Adj. EBITDA) amount to € 4.9m (vs € 0.6m in 2020) and include mainly costs related to the transition to the iCOR platform.

The financial result improved slightly from € (15.4)m in 2020 to € (14.6)m in 2021 thanks to a lower financial debt resulting in lower interest charges. One-off FX gains in H1 2021 were offset in H2 2021 by higher hedging costs and FX losses related to the sharp devaluation of the Turkish lira in November and December 2021.

[1] One-third of the workers in the US were laid off at the outbreak of the corona crisis in Q2 2020 as a measure to cope with sharply lower volumes.

Despite higher Earnings before Taxes (€ 39.7m, up 30.1% from € 30.5m in 2020), Income taxes are lower (€ 2.5m in 2021 vs € 4.9m in 2020) because of the recognition of additional deferred tax assets.

Net profit increased from € 25.6m in 2020 to € 37.2m in 2021 (+45.4%). Consequently, Earnings per Share increased from € 0.18 to € 0.25.

The Board of Directors will propose to the General Assembly to pay out a dividend of € 0.06 per share (vs € 0.05 for the year 2020).

Cash Flow and Balance sheet

The Net Financial Debt increased from € 55.5m end 2020 to € 61.9m end 2021. Leverage remained unchanged though at 0.6x as the higher debt has been compensated by a higher Adj. EBITDA.

Negative cash impact from working capital movements in absolute numbers was € +32.7m, driven by higher sales and higher raw material prices. However, in relative terms, working capital improved from 11.6% on sales end 2020 to 10.1% end 2021.

After being low in 2020 (€ 23.5m) because of covid-19, capex increased again in 2021 to € 43.6m. Besides an amount of about € 30m for maintenance and growth, the most important capital expenditure was the purchase of a warehouse in Kartepe (TR) for about € 10m.

Strategic projects

In 2021 we have continued our efforts to strengthen our leadership position in recycling and circularity. Exemplary to this leadership is the launch of Phoenix, the first window profile made entirely from recycled raw materials. Furthermore, we have fine-tuned our sustainability strategy as an integral part of our corporate strategy and we have committed ourselves to adherence to SBTi targets. Further investments to improve our performance on ESG Sustainability KPI's are planned in 2022.

The transition to Elegant on iCOR continues to be on track. Everywhere Elegant-profiles are introduced in the market, they make an instant commercial success. However, the transition must not be rushed in order to allow a smooth changeover at customer side and to keep the complexity of the process manageable. It is foreseen that almost all European customers will be migrated to Elegant on iCOR by the end of 2023.

Outlook

In general, the global residential construction market is forecasted to remain strong in 2022, but shortages of skilled labour along the value chain could curb its growth. Raw material prices are expected to stabilize at historical high levels while other cost inflation will continue and will force us into a strict but difficult pricing discipline.

In Europe, we anticipate further strong volumes including little by little the impact from the EU Green Deal. The supply chain issues suffered in 2021 should gradually be resolved during 2022.

In North America, we expect the strong construction market to continue on the back of structural shortage of (qualitative) houses and increased demand for single family homes induced by covid-19. Margins are expected to recover due to price increases becoming effective, wider availability of raw materials and better retention of blue collars.

In Turkey, we expect continued sales growth. The impact of inflation and devaluation on consumer confidence and related demand remain a factor of significant uncertainty.

Annex 1: Consolidated Income Statement

(in € milion)	H2 2020	H2 2021	FY 2020	FY 2021
Sales	**352,9**	**434,1**	**642,2**	**838,1**
Cost of goods sold	(238,3)	(323,1)	(438,6)	(608,4)
Gross profit	**114,7**	**111,0**	**203,5**	**229,7**
Marketing, sales and distribution expenses	(52,1)	(65,4)	(110,2)	(128,6)
Research and development expenses	(3,6)	(3,4)	(6,9)	(6,7)
Administrative and general expenses	(21,6)	(21,3)	(42,1)	(43,2)
Other net operating result	3,1	4,1	4,5	3,1
Share of the result of a joint venture	(0,5)	0,0	(3,0)	0,0
Operating profit (EBIT)	**39,9**	**25,0**	**45,9**	**54,3**
Costs related to the derecognition of accounts receivable	(2,0)	(1,7)	(3,9)	(3,5)
Interest income (expense)	(2,2)	(2,7)	(5,9)	(4,9)
Foreign exchange gains (losses)	(0,8)	(4,6)	(4,5)	(5,7)
Other financial income (expense)	(1,0)	(0,4)	(1,1)	(0,4)
Profit / (loss) before taxes (EBT)	**33,9**	**15,7**	**30,5**	**39,7**
Income taxes	(5,0)	1,0	(4,9)	(2,5)
Net profit / (loss)	**29,0**	**16,6**	**25,6**	**37,2**
Adj. EBITDA	**58,2**	**46,7**	**86,0**	**97,7**

Earnings per share distributable to the shareholders of the parent company (in €):	FY 2020	FY 2021
Basic earnings per share	0,18	0,25
Diluted earnings per share	0,17	0,24

Annex 2: Consolidated statement of financial position

(in € milion)	FY 2020	FY 2021
Assets		
Intangible fixed assets	2,3	1,8
Goodwill	10,6	10,6
Tangible fixed assets	254,3	246,8
Financial fixed assets	0,0	0,0
Investment in a joint venture	0,0	0,0
Deferred tax assets	5,2	9,8
Long-term receivables	0,8	1,5
Non-current assets	**273,1**	**270,6**
Inventories	112,9	169,6
Trade receivables	69,3	90,8
Other receivables	37,2	70,0
Cash and cash equivalents	105,6	72,9
Non-current assets held for sale	1,2	1,3
Current assets	**326,2**	**404,5**
Total Assets	**599,4**	**675,1**
Equity and liabilities		
Issued capital	53,9	54,4
Share premiums	88,3	90,2
Retained earnings	228,3	256,3
Remeasurements of post employment benefit obligations	(7,4)	(5,7)
Treasury shares	(0,1)	(0,1)
Currency translation adjustments	(123,8)	(142,4)
Equity excluding non-controlling interests	**239,3**	**252,7**
Non-controlling interests	6,9	6,2
Equity including non-controlling interests	**246,3**	**258,9**
Interest-bearing loans including lease liabilities	137,0	13,0
Other long-term liabilities	0,7	0,6
Employee benefit obligations	22,3	18,8
Long-term provisions	3,5	3,3
Deferred tax liabilities	1,8	1,5
Non-current liabilities	**165,3**	**37,2**
Interest-bearing loans including lease liabilities	24,1	121,8
Trade payables	108,0	176,0
Tax liabilities	8,3	6,4
Employee related liabilities	14,4	15,4
Employee benefit obligations	1,2	1,2
Short-term provisions	3,2	0,2
Other liabilities	28,7	57,9
Current liabilities	**187,8**	**379,0**
Total equity and liabilities	**599,4**	**675,1**

Annex 3: Consolidated statement of Cash Flows

(in € milion)	FY 2020	FY 2021
Profit (+) / loss (-)	25,6	37,2
Depreciations and impairments	39,6	38,6
Net financial charges	15,3	14,6
Income taxes	4,9	2,5
Inventory w rite-off (+ = cost / - = inc)	2,9	3,3
Trade AR w rite-off (+ = cost / - = inc)	4,4	(1,9)
Movements in provisions (+ = cost / - = inc)	(4,0)	(1,1)
Gain / loss on disposal of (in)tang. FA (+ = cost / - = inc)	(2,8)	(0,6)
Fair value adjustments in equity	0,0	0,6
Share of the result of a joint venture	3,0	0,0
GROSS OPERATING CASH FLOW	**88,8**	**93,0**
Decr / (incr) in inventories	(17,1)	(69,4)
Decr / (incr) in trade AR	(6,2)	(41,7)
Incr / (decr) in trade AP	27,2	78,3
Decr / (incr) in other operating assets/liabilities	4,7	(2,6)
Income taxes paid (-) / received (+)	(2,7)	(7,6)
CASH FLOW FROM OPERATING ACTIVITIES	**94,6**	**50,0**
Purchases of (in)tangible FA (-)	(23,5)	(43,6)
Investment in financial FA (+)	(0,0)	0,0
Proceeds from sale of (in)tangible FA (+)	15,7	1,0
Proceeds from sale of shares of Group companies (+)	15,4	0,5
CASH FLOW FROM INVESTMENT ACTIVITIES	**7,5**	**(42,1)**
Capital increase (+) / decrease (-)	0,0	2,4
Dividends paid (-) / received (+)	(0,1)	(7,2)
Interest received (+)	2,6	2,8
Interest paid (-)	(8,2)	(7,6)
Net financial result, excl interest	(4,7)	(0,3)
New long-term debts	13,1	10,8
Repayment of long-term debts	(14,4)	(21,1)
New short-term debts	15,3	51,6
Repayment of short-term debts	(39,8)	(60,8)
CASH FLOW FROM FINANCING ACTIVITIES	**(36,2)**	**(29,5)**
Net increase / (decrease) in cash and cash equivalents	**66,0**	**(21,5)**
Cash and cash equivalents as per beginning of period	52,8	105,6
Impact of exchange rate fluctuations	(13,0)	(11,2)
Transfers	(0,1)	0,0
Cash and cash equivalents as per end of period	**105,6**	**72,9**

Financial calendar

7 March 2022	Roadshow ING (Virtual)
30 March 2022	Roadshow Degroof Petercam (Madrid)
26 April 2022	Annual General Meeting
17 August 2022	Results H1 2022

Glossary

EBITDA

EBITDA is defined as operating profit / (loss) adjusted for depreciation / amortizations and impairment of fixed assets.

	2020	2021
Operating profit	45.887	54.278
Depreciations & impairments	(39.604)	(38.553)
EBITDA	**85.491**	**92.832**

Adjusted EBITDA

Adjusted EBITDA is defined as operating profit / (loss) adjusted for (i) depreciations, amortizations and impairment of fixed assets, (ii) integration & restructuring expenses, (iii) gains & losses on disposal of consolidated entities, (iv) gains & losses on asset disposals, (v) impairment of goodwill and impairment of assets resulting from goodwill allocation.

	2020	2021
EBITDA	85.491	92.832
Integration & restructuring expenses	1.825	4.907
Result realized on disposal of a sales entity	866	-
Gains on assets disposals	(3.427)	-
Impairment of intangible fixed assets arising from goodwill allocation	1.289	-
Adjusted EBITDA	**86.045**	**97.739**

EBIT

EBIT is defined as Earnings before interests and taxes (operational result).

	2020	2021
EBITDA	85.491	92.832
Depreciations & impairments	(39.604)	(38.553)
EBIT	**45.887**	**54.278**

EBT

EBT is defined as Earnings before taxes.

EPS (non-diluted)

EPS (non-diluted) are the non-diluted earnings per share and is defined as Earnings attributable to ordinary shareholders over the weighted average number of ordinary shares.

EPS (diluted)

EPS (diluted) are the diluted earnings per share and is defined as Earnings attributable to ordinary shareholders over the sum of weighted average number of ordinary shares and the weighted average number of ordinary shares which would be issued upon conversion into ordinary shares of all exercisable warrants leading to dilution.

Net debt

Net debt is defined as the sum of current and non-current interest-bearing borrowings minus cash and cash equivalents.

	2020	2021
Interest-bearing loans – non-current	137.022	13.002
Interest-bearing loans - current	24.069	121.765
Cash and cash equivalents	(105.623)	(72.885)
Net debt	**55.468**	**61.882**

Working capital Working capital is calculated as the sum of trade receivables and inventories minus trade payables.

	2020	2021
Trade receivables	69.301	90.756
Inventories	112.907	169.589
Trade payables	(107.963)	(176.009)
Working capital	**74.245**	**84.336**

Capital employed (CE) The sum of non-current assets and w orking capital.

	2020	2021
Working capital	74.245	84.336
Non-current assets	273.139	270.555
Capital employed (CE)	**347.384**	**354.890**

Subsidiaries Companies in w hich the Group ow ns a participation in excess of 50 % or companies over w hich the Group has control.

MTM Mark-to-Market.

Headcount (FTE) Total Full Time Equivalents including temporary and external staff.

Restricted Group The Restricted Group consists of all entities of the Group excluding Turkish subsidiaries and their subsidiaries.

Leverage Leverage is defined as the ratio of Net debt to LTM (Last Tw elve Months) Adjusted EBITDA.

	2020	2021
Net debt	55.468	61.882
LTM Adjusted EBITDA	86.045	97.739
Leverage	**0,6**	**0,6**

End of press release

About Deceuninck

Founded in 1937, Deceuninck is a top 3 independent designer and 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 17 vertically integrated manufacturing facilities, which together with 16 sales and distribution facilities guarantee the necessary service and response time to Customers. Deceuninck strongly focuses on innovation, sustainability and reliability. Deceuninck is listed on Euronext Brussels (“DECB”).

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