

STEICO SE

Consolidated interim report on Q3 2018

The green share

Q3 2018

- Record-breaking revenues with disproportionate earnings growth

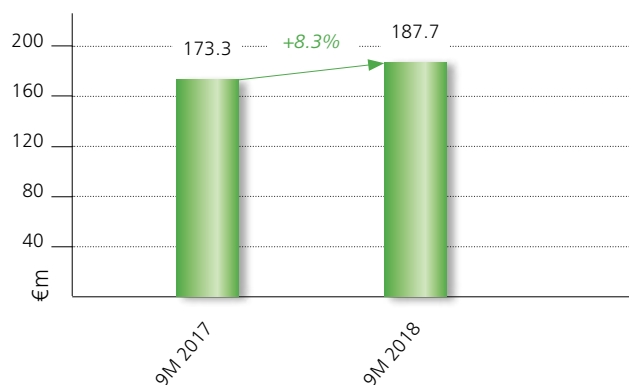


Natural building products for **healthier living**

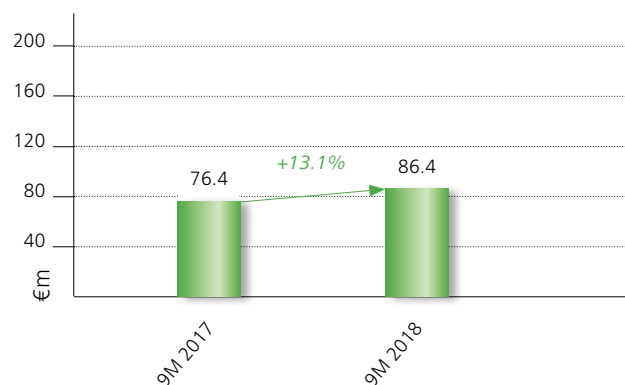
Overview

Record-breaking revenues with disproportionate earnings growth

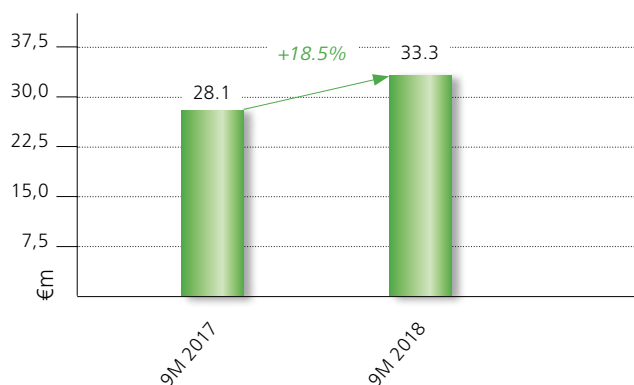
Revenue growth in € millions



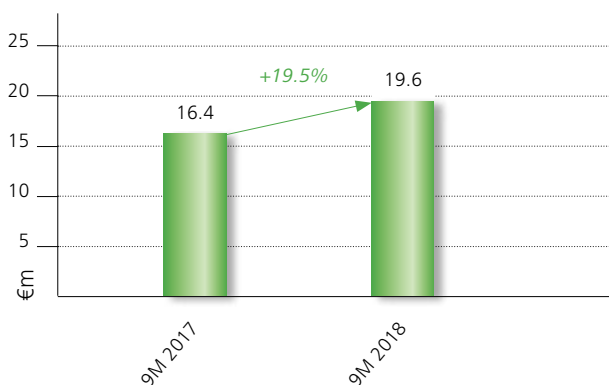
Gross earnings growth in € millions



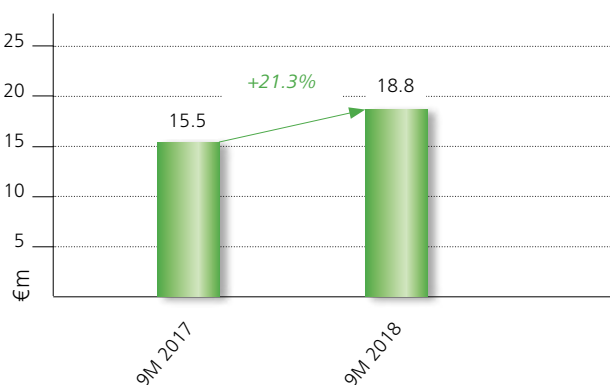
EBITDA growth in € millions



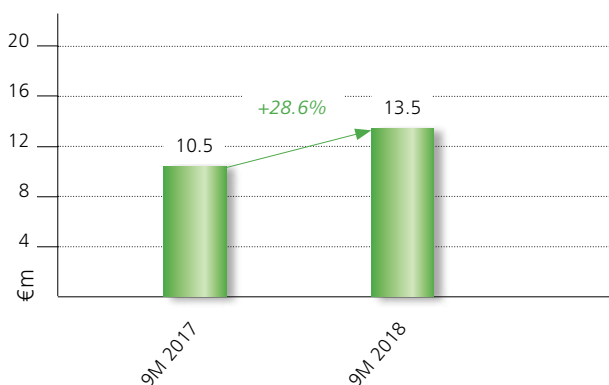
EBIT growth in € millions



EBT growth in € millions



Growth in net income for the period in € millions



ADDITIONAL KPIS

	Q3 2018	9M 2018	9M 2017
1. Total operating revenue in € millions	€ 64.7 million	€ 184.5 million	€ 172.3 million
2. EBITDA margin as a percentage of total operating revenue	18.2%	18.0%	16.3%
3. EBIT margin as a percentage of total operating revenue	11.1%	10.6%	9.5%
4. Equity ratio (for comparison: 51.3% as of 30.06.2018)	-	53.1%	48.3%

Percentage increases and margins calculated based on rounded figures.

The STEICO Group operates in a dynamic market environment and once again recorded record-breaking growth in the third quarter of 2018. Revenues in the first nine months were up 8.3% year-on-year, from € 173.3 million to € 187.7 million. In addition, earnings once again enjoyed disproportionate growth. EBITDA in the first nine months was up 18.5% year-on-year, from € 28.1 million to € 33.3 million. EBIT grew by 19.5% to € 19.6 million (previous year: € 16.4 million). Net income for the period grew by 28.6% to € 13.5 million (previous year: € 10.5 million).

Operating business was also very successful in the third quarter. The highest revenues in the company's history totaling € 64.9 million were recorded.

The company's management has confirmed its forecast of revenue growth in the upper single-digit percentage range for the year as a whole. In terms of earnings, disproportionate growth is also forecast for the year as a whole.

The board of directors is also forecasting continued revenue and earnings growth for the coming year. The positive economy in the construction sector in most European countries should contribute to this, as will the unrelenting trend to wooden construction. In contrast, however, there is uncertainty concerning the course that the Brexit negotiations will take, and in the worst case this could have a negative impact on the UK construction sector.

Particularly positive impetus for 2019 is expected from the new lines for wood-fiber insulation materials. In addition, the quantity of laminated veneer lumber produced in 2019 is expected to increase again significantly.

Company profile

STEICO develops, produces and markets ecological construction products made of renewable raw materials. STEICO is the European market leader in the wood-fiber insulation materials segment.

STEICO is positioned as a system provider for ecological residential construction and is the only manufacturer in the industry to offer an integrated wooden construction system in which insulation material and construction components supplement each other. These include flexible and stable wood fiber insulation panels, composite thermal insulation systems, insulation panels with a reinforcing effect, as well as cavity wall insulation made of wood fibers and cellulose.

The construction elements comprise I-joists and Laminated Veneer Lumber. In addition, the STEICO group also produces fiberboard and operates in the wood trade.

The Munich-based company's products are used in new construction and when renovating roofs, walls, ceilings, floors and facades. STEICO's products allow the construction of future-proof, healthy buildings with a particularly high quality of living and a healthy atmosphere. STEICO's products offer reliable protection against cold, heat and also noise, and they permanently improve the building's energy efficiency.

Disclaimer

This document is a translated version of the German original document. The translation has been prepared with utmost care. However, only the German original document is binding.

I. ECONOMIC CONDITIONS

1. OVERVIEW

The upswing in the European construction sector is continuing unrelentingly. Current data from the European statistics office Eurostat from July 2018 show a renewed increase in production in the construction industry compared to the same month of the previous year. In this regard, in particular real estate construction - the relevant market segment for STEICO - grew by 4.0% in the eurozone and 3.9% in EU28.¹

In Germany, the STEICO Group's most important market, the construction sector also continued its positive growth. According to the German Federal Statistics Office, sales increased in all areas of the main construction industry. Revenues in building construction increased by 5.7% in July 2018 compared to July 2017, with the sub-segments of roofing and carpentry even recording growth of 12.7%.²

The number of building permits issued in Germany fell slightly in recent months due to anticipatory effects, however an increase can now once again be seen. Statisticians at Destatis have recorded an increase of 1.9% year-on-year for building permits issued from January to July 2018. This increase is exclusively due to the increase in building permits for apartments in multi-family dwellings (+7.6%). In contrast, the number of building permits for single-family homes fell by 0.2%, and the figure for two-family homes was down by 2.8%.³

Wood construction has been gaining market share for several years. According to the "Bauen und Wohnen" (Building and Living) report by the German Federal Statistics Office (Destatis), the share accounted for by wooden houses (of total residential properties) increased from 14.7% in 2010 to 16.8% in 2017. The high percentage accounted for by pre-fabricated wooden houses is also notable. In 2010 81.4% of wooden houses were already being built using the so-called element construction method, and this increased to 84.7% in 2017.⁴

In the United Kingdom, the most important sales market for I-joists, the construction sector has continued to be stable. The Office for National Statistics recorded an increase in construction activity of 2.9% in the three-month calculation through to August 2018, which means that the construction sector has partially made up for the poor start to the year due to the weather.⁵

2. INDUSTRY TRENDS AND COMPETITION

Consolidation on the market for wood-fiber insulation materials is continuing. In the third quarter of 2018 a smaller German competitor announced that they would be discontinuing their business at the end of the year.

The positive growth for supporting structure products (I-joists and laminated veneer lumber) continued. Demand continues to be high for laminated veneer lumber in particular.

II. COMPANY GROWTH

1. GROWTH IN Q3⁶

In the third quarter of 2018 the STEICO Group recorded revenue growth of 10.6% with revenues of € 64.9 million (Q3 2017: € 58.7 million). Total operating revenue amounted to € 64.7 million (Q3 2017: € 59.1 million). As a result, the third quarter enjoyed the highest revenues in the company's history.

Gross profits in Q3 totaled € 29.7 million (Q3 2017: € 26.6 million) and were thus up by 11.7%.

EBITDA was up by 21.6% in the third quarter to € 11.8 million (Q3 2017: € 9.7 million). The EBITDA margin is 18.4%.

EBIT was up 24.1% year-on-year to € 7.2 million (Q3 2017: € 5.8 million). The EBIT margin amounted to 11.1%.

EBT amounted to € 6.9 million, up 23.2% year-on-year (Q3 2017: € 5.6 million). Net income for the period totaled € 5.0 million and was thus up by 22.0% compared to the previous year (Q3 2017: € 4.1 million).

1 Source: Eurostat; Press release dated 19.09.2018

2 Source: Destatis; Press release dated 10.10.2018

3 Source: Destatis; Press release dated 20.09.2018

4 Source: Destatis; "Bauen und Wohnen" report dated 19 June 2018

5 Source: Office for National Statistics; Statistical bulletin dated 10.10.2018

6 Figures based on rounded figures

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2. PURCHASE OF A PRODUCTION LINE FOR WOODEN CONSTRUCTION ELEMENTS

During the third quarter of 2018 the STEICO Group was able to acquire a state-of-the-art production line for the manufacture of wooden wall, roof and ceiling elements second hand and at a low price (with central components made by Weinmann and Hundegger). At around € 1.4 million the purchase price was significantly lower than the price of a new line. The line elements have already been disassembled and transported to STEICO's plant in Czarnków, Poland, where the line will be installed in the near future.

The production lines will allow full wooden wall, roof and ceiling elements to be produced using the STEICO construction system (construction products, insulation materials and accessories). This form of series element production has become established in state-of-the-art wood construction, as entire building parts can be pre-produced in the assembly hall. As a result of the high level of automation, this is thus associated with a particularly high level of profitability, precision and speed. This thus allows the STEICO Group to substantially increase the depth of its value chain in future.

The planned production of elements will be used, in particular, to meet demand in Poland and Eastern Europe. For example, the Polish government wants to greatly reinforce wooden construction, in order to boost the use of the country's renewable resources in the construction sector. At the same time, Poland and other Eastern European countries only have a limited number of wood construction companies with automated production, and most of these are already running at full capacity. As a supplier of end-to-end construction elements, STEICO pursues the objective of supporting the local wood construction companies with pre-production, thus increasing the total output in wooden construction.

By producing elements, STEICO plans to offer its existing partners an addition to its previous range of products and services. STEICO will not present itself as a producer of wooden homes. In the first instance the group does not plan to engage in producing elements for Western European markets.

3. STATUS OF ONGOING INVESTMENT PROJECTS

Second production line for laminated veneer lumber

The 100% performance test (final acceptance) for the second production line for laminated veneer lumber has been completed for most of the parts of this line. Individual components still have to be accepted, however it has been possible to constantly increase the quantities produced.

New production lines for wood-fiber insulation materials

The new line for stable wood-fiber insulation materials using the dry method started production on schedule in the third quarter of 2018.

Production also started on the new line for flexible wood-fiber insulation materials. Final optimisation work will be performed on this line in the fourth quarter of 2018.

III. OUTLOOK

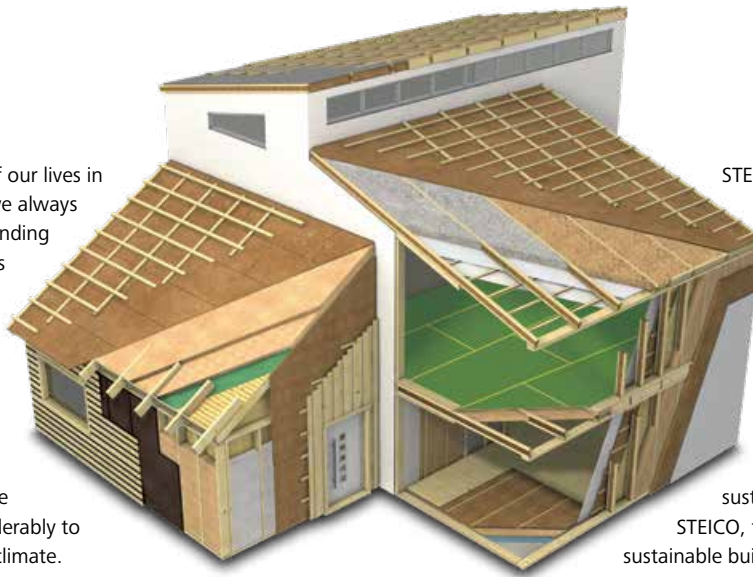
The company's management believes that growth will continue in the fourth quarter if premature winter conditions do not hinder construction work.

The company's management has confirmed its forecast of revenue growth in the upper single-digit percentage range for the year as a whole. In terms of earnings, disproportionate growth is also forecast for the year as a whole.

The board of directors is also forecasting continued revenue and earnings growth for the coming year. The positive economy in the construction sector in most European countries should contribute to this, as will the unrelenting trend to wooden construction. In contrast, however, there is uncertainty concerning the course that the Brexit negotiations will take, and in the worst case this could have a negative impact on the UK construction sector.

Particularly positive impetus for 2019 is expected from the new lines for wood-fiber insulation materials. In addition, the quantity of laminated veneer lumber produced in 2019 is expected to increase again significantly.

We spend approx. 80 % of our lives in enclosed rooms. But are we always aware what we are surrounding ourselves with? STEICO has set itself the target of developing building products which consider the needs of both man and nature. Our products are therefore produced using sustainable natural materials. They help reduce energy use and add considerably to a natural healthy internal climate.



STEICO insulation and construction materials, carry a number of distinguished 'seals of approval' which is a sign of high quality, healthy and functional building products. The raw materials used in STEICO products are certified by FSC® (Forest Stewardship Council®) and PEFC® (Programme for the Endorsement of Forest Certification®), ensuring a traceable and fully sustainable usage of the raw materials. STEICO, the number 1 choice for your sustainable building solutions.

Natural insulation and construction systems for new builds and renovations – roof, ceiling, wall and floor

	Renewable raw materials without harmful additives		Excellent cold protection in winter		Excellent summer heat protection		Energy saving and increased property worth
	Weather tight and breathable		Excellent Fire Protection		Excellent sound protection		Environmentally friendly and recyclable
	Light and easy to handle		Insulation for healthy living		Strong quality control		Compatible insulation and structural building systems



STEICO
engineered by nature

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