

STEICO SE

Group interim report 9M/Q3 2020

The green share

Q3 2020

- Despite COVID-19: profitable growth will continue.

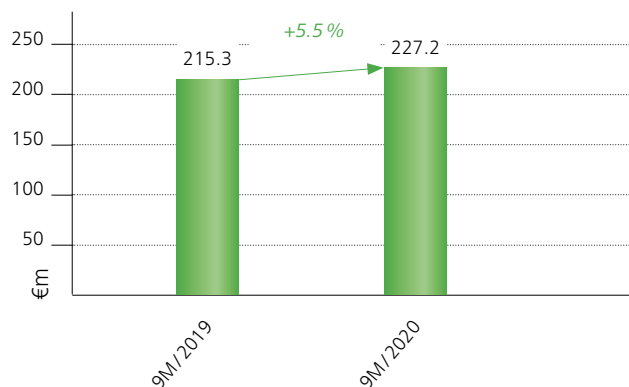


Natural building products for **healthier living**

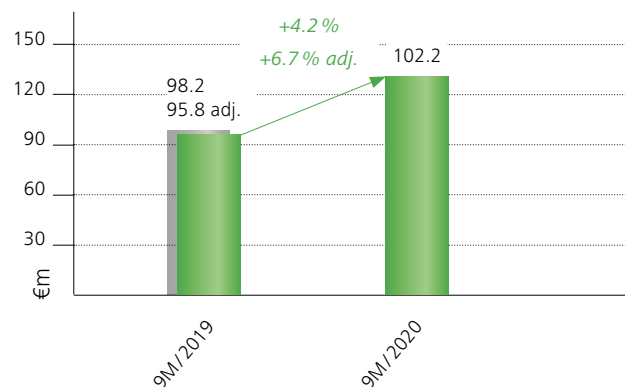
Overview

Despite COVID-19: profitable growth will continue.

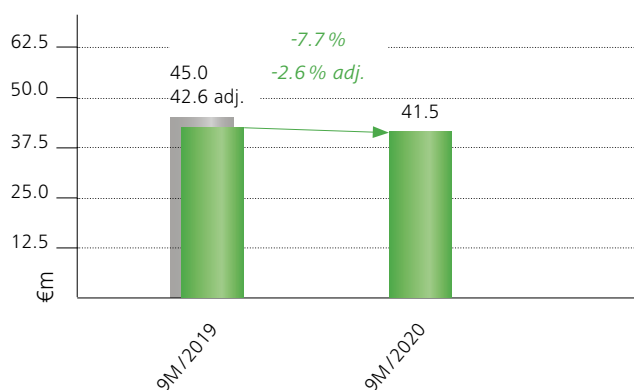
9M Revenue growth in € millions



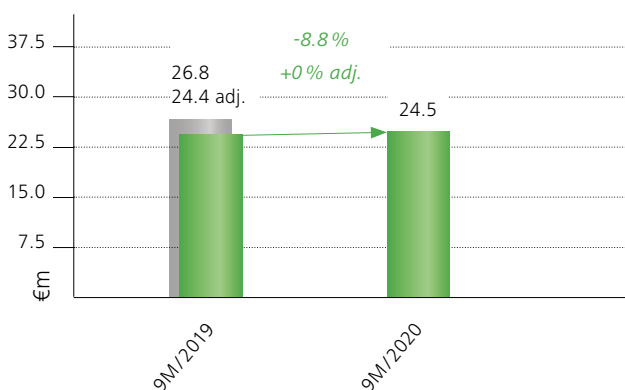
9M Gross earnings growth in € millions



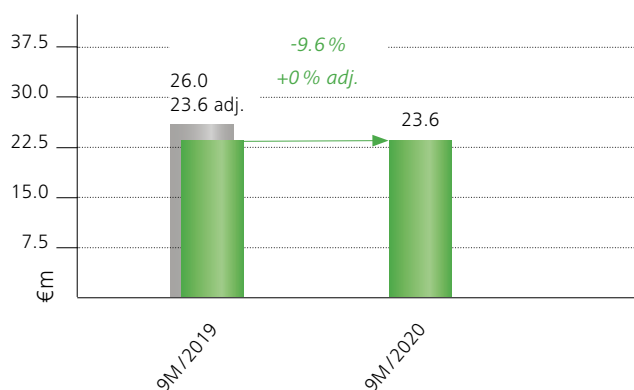
9M EBITDA growth in € millions



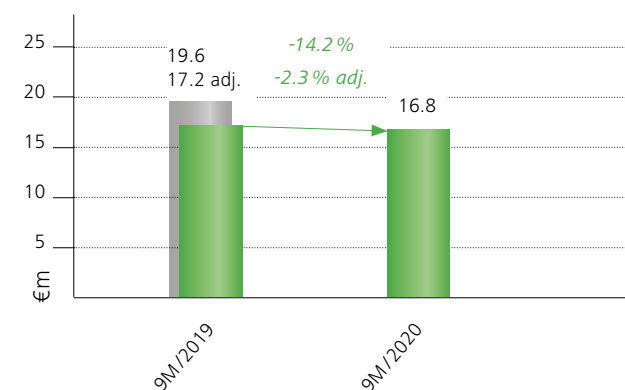
9M EBIT growth in € millions



9M EBT growth in € millions



9M profit for the Period growth in € millions



ADDITIONAL KPIS

	9M 2020	FY 2019	9M 2019
1. Total operating revenue in € millions	€ 222.3 million	€ 287.8 million	€ 215.9 million
2. EBITDA margin as a percentage of total operating revenue	18.7 %	19.7 %	20.8 % / 19.7 % adj.
3. EBIT margin as a percentage of total operating revenue	11.0 %	11.3 %	12.4 % / 11.3 % adj.
4. Equity ratio (as of Sept. 30 or Dec. 31)	49.9 %	53.7 %	52.1 %

Percentage increases and margins calculated based on non-rounded figures.

The STEICO Group continued its growth in the first nine months of 2020 despite the activities to slow the spread of COVID-19. Revenue in the first nine months improved by 5.5 % to € 227.2 million.

With regard to the results, it should be noted that the third quarter of the previous year was characterized by a positive one-off effect in the form of a state subsidy amounting to € 2.4 million. In view of the impact of COVID-19, it was nevertheless possible to achieve a solid development of earnings. EBITDA was down 7.7 % year-on-year to € 41.5 million (-2.6 % adj.) EBIT totalled € 24.5 million, down 8.8 % (+/-0 % adj.) Net income for the period was down 14.2 % year-on-year at € 16.8 million (-2.3 % adj.)

The slight decline in the 9-month results is still a result of the lockdown phase in spring. After initial easing, most sales markets stabilized and were able to continue the previous year's development thanks to catch-up effects. In fact, the third quarter marked new records in terms of both sales and earnings (after eliminating the special effect in the previous year).

The Board of Directors expects growth to continue in the fourth quarter – provided that neither tightened COVID-19 restrictions nor an early onset of winter inhibit business activity.

Due to the positive development, the company's management is raising its forecast for the whole of 2020. Revenue is expected to grow by between 5.0 % and 7.0 % year-on-year, with the EBIT ratio expected to be between 10.5 % and 11.5 % (in relation to total operating revenue).

The Board of Directors is also taking a positive view of 2021, even though the COVID-19 pandemic will continue to be a major challenge. Thanks to trend towards natural construction materials and the strong growth in timber construction, growth is expected to continue with sustained good profitability.

Company profile

STEICO develops, produces and markets ecological construction products made of renewable raw materials. STEICO is the global market leader for wood fiber insulation materials.

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 innovative wooden construction components and ecological insulation material supplement each other.

Laminated veneer lumber and I-joists form the structural components of the system. The insulation materials include flexible and stable wood fiber insulation panels, facade insulation materials, as well as cavity wall insulation made of wood fibers and cellulose.

Sealing products for the building shell complete the overall system.

The STEICO Group offers its customers a unique range of products through to the prefabrication of complete components for timber element construction.

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.

I. ECONOMIC CONDITIONS

1. ECONOMIC DEVELOPMENT

The European economy continues to struggle with the effects of the COVID-19 pandemic. After the historic slump in spring, there are signs of recovery in many sectors, but economic output is still significantly below the previous year. Current figures from Eurostat are available through to July 2020 and show that production in the construction sector fell by 7.3 % in the EU area compared to the same month of the previous year.¹ Production in the construction sector, on the other hand, fell by only 3.9 %² which shows that the construction sector is extremely robust.

In Germany, the construction industry continues to defy the cooler economic climate. According to the Federal Statistics Office, the number of approved homes for the period January to July 2020 is 5.6 % higher than in the same period last year.³ The timber construction sub-segment also continues to enjoy very positive growth. The BDF (Bund Deutscher Fertigbau) reports a prefabricated construction quota for single and two-family houses of 22.1 % for the first half of 2020. The share of pre-fabricated houses in 2019 already totaled 20.8 %. Prefabricated buildings are mainly made of wood.

In France, construction activity was severely impaired by COVID-19 containment activities in the spring, but the shortfalls were partially offset in the following months. According to the French statistics authority SDES, the number of construction starts between June and August reached roughly the level before the restrictions began. However, new construction permits in the same period are 24 % below the pre-pandemic level.⁴

In the United Kingdom, the most important sales market for STEICO I-joists, construction activities were heavily impacted by the activities to contain COVID-19. The Office for National Statistics recorded a downturn of 40.2 % for production in the construction sector. In the following months, however, the construction sector was able to make significant gains again. An increase of 7.6 % in May was followed by increases of 23.5 % in June and 17.6 % in July⁵. Nevertheless, production in the construction sector remains well below pre-pandemic levels.

1 Source: Eurostat; Press release 123/2020 dated 14.09.2020

2 Source: Eurostat; Press release 139/2020 dated 17.09.2020

3 Source: Destatis; Press release 358 dated 15.09.2020

4 Source: SDES; Press release 307 dated 09.09.2020

5 Source: Office for National Statistics, 11.09.2020

II. COURSE OF BUSINESS

1. COUNTRY DEVELOPMENT (SELECTED MARKETS)

Germany

During the first nine months, revenues in Germany lifted by 18.2 % to € 89.2 million (previous year: € 75.4 million).

In the third quarter, revenues grew by 16.2 % to € 32.7 million (previous year: € 28.1 million).

Because the German construction industry (both trade and processing) was hardly affected by the COVID-19 restrictions in spring, construction activity continued almost unchecked. In addition, there are the following key factors in Germany:

- the rising timber construction quota, including regulatory relief for building with wood
- the trend towards ecological building and insulation materials
- the state instruments introduced in 2020 to promote energy-efficient construction and renovation
- the stable number of building permits
- the continuing high order book at many timber construction companies

France

During the first nine months, revenues in France lifted by 2.6 % to € 30.7 million (previous year: € 29.9 million).

In the third quarter, revenues grew by 12.3 % to € 10.7 million (previous year: € 9.5 million).

Strict COVID-19 containment measures led to a short-term halt in construction activity (both for retailers and processors) in April. After a short time, however, the restrictions were relaxed again, so that construction activity was able to pick up speed again in the following months. In addition, there are the following key factors in France:

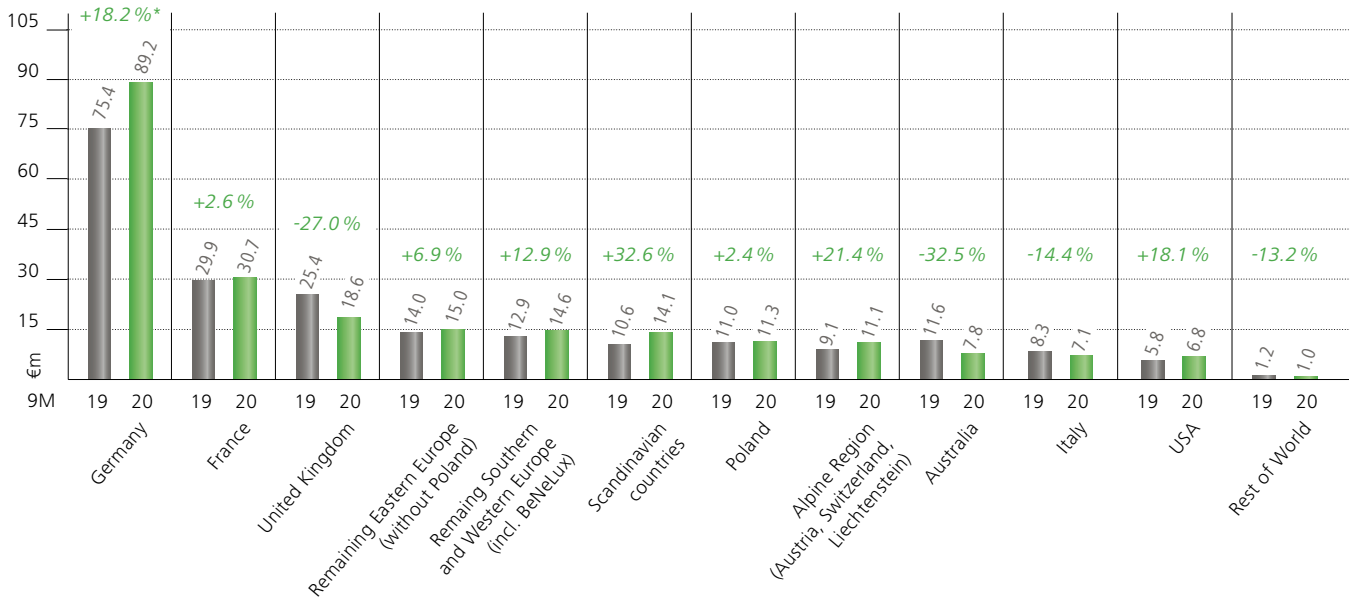
- the intended strengthening of the timber construction sector. For example, the French government has announced its intention to have half of all public buildings constructed using renewables from 2022.
- the trend towards ecological building and insulation materials

United Kingdom

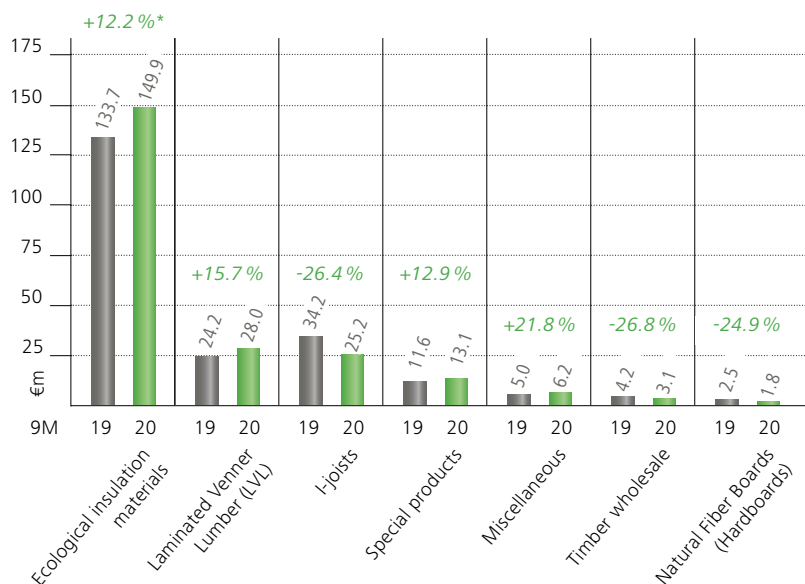
During the first nine months, revenues in the United Kingdom fell by 27.0 % to € 18.6 million (previous year: € 25.4 million).

Interim report 9M/Q3 2020

9M 2020: Development Sales by Markets in € million



9M 2020: Development Sales by Product Groups in € million



In the third quarter, revenues were down by 7.7 % to € 8.2 million (previous year: € 8.9 million).

The UK "lockdown" was one of the most stringent and long-lasting COVID-19 containment measures and was imposed very late in the day, when the construction industry was already in full swing. Although there are also signs of recovery in the UK, it has not yet been possible to match the previous year's figures.

2. SEGMENT GROWTH

Environmentally friendly insulation materials

During the first nine months, revenues with wood-fibre insulation materials lifted by 12.2 % to € 149.9 million (previous year: € 133.7 million).

In the third quarter, revenues grew by 15.5 % to € 55.7 million (previous year: € 48.2 million).

The strong demand for ecological building products led to full capacity uptake at STEICO's production facilities, in particular towards the end of the third quarter, and was reflected in the increase in delivery times for individual STEICO products.

LVL (Laminated Veneer Lumber)

During the first nine months, revenues with LVL lifted by 15.7 % to € 28.0 million (previous year: € 24.2 million).

In the third quarter, revenues grew by 19.9 % to € 9.9 million (previous year: € 8.3 million).

The sale of Laminated Veneer Lumber benefits from the stable construction industry, the trend towards more timber construction and increasing market penetration due to the many product advantages.

The production of Laminated Veneer Lumber is

stable and both plants can report high capacity utilization in regular operation.

I-joists

Revenues from I-joists amounted to € 25.2 million in the first nine months and thus down by 26.4 % year-on-year (€ 34.2 million).

In the third quarter, revenues fell by 16.3 % to € 10.5 million (previous year: € 12.5 million).

The downturn for I-joists is mainly due to the weaker environment in the UK, the main sales market for these products. Australia is also a market for relevant quantities. On this market, too, construction activity suffered as a result of COVID-19 containment measures, with the result that sales were down on the previous year.

Production of prefabricated building elements

The market entry for the new segment "Element Production" is progressing positively - after delays in spring - and the pace is increasing. Several projects in Germany and abroad were successfully implemented. The lines can already be used to full capacity in single-shift operation, scaling is possible according to further incoming orders.

STEICO's Element Production is based on a high degree of automation, which is associated with increases in speed and precision. The offering is geared to timber construction and prefabricated house companies, which can thus achieve advantages in terms of personnel deployment, economic efficiency and construction speed. The STEICO Group will not operate as a house construction company itself.

3. UNDERLYING CONDITIONS FOR PRODUCTION AND SALES

Capacity expansions for wood fibre insulating materials

The STEICO Group is currently constructing two additional production facilities: A facility for producing stable wood fibre insulation materials using the wet process at the Czarna Woda site (Poland) and a facility for producing stable wood fibre insulation materials using the dry process at the Casteljaloux site (France).

Both projects are developing within the budget and schedule.

III. NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

1. RESULTS OF OPERATIONS

In a comparison with the previous year's figures, it should be noted that the third quarter of the previous year was characterized by a positive one-off effect in the form of a state subsidy amounting to € 2.4 million. STEICO's Polish production company received a one-off compensation payment from the Polish government for sharply increased electricity prices, which boosted earnings.

9-month view⁶

In the first nine months of 2020, the STEICO Group was able to lift its revenues in total by 5.5 % to € 227.2 million despite the COVID-19 restrictions (previous year: € 215.3 million). Total operating revenue amounted to € 222.3 million (previous year: € 215.9 million).

Despite the previous COVID-19 restrictions and those which continue to apply, it was nevertheless possible to record pleasing earnings growth.

Gross profits for the first nine months totaled € 102.2 million, up 4.2 % year-on-year (9M 2019: € 98.2 million). Adjusted for the positive one-off effect of the previous year, the increase is 6.4 %.

EBITDA for the first nine months totaled € 41.5 million, down 7.7 % year-on-year (9M 2019: € 45.0 million). Adjusted for the positive one-off effect of the previous year, the downturn in EBITDA is 2.6 % year-on-year.

EBIT for the first nine months totaled € 24.5 million, down 11.6 % year-on-year (9M 2019: € 26.8 million). Adjusted for the positive one-off effect of the previous year, EBIT is at the previous year's level.

EBT for the first nine months totaled € 23.6 million, down 9.6 % year-on-year (9M 2019: € 26.8 million). Adjusted for the positive one-off effect of the previous year, EBT is at the previous year's level.

Net income for the period for the first nine months totaled € 16.8 million, down 14.2 % year-on-year (9M 2019: € 19.6 million). Adjusted for the positive one-off effect of the previous year, the downturn is 2.3 %.

⁶ As a result of reclassifications there may be minor differences compared to the previous year's figures.

Interim report 9M/Q3 2020

Isolated view of the third quarter⁶

In the third quarter of 2020, the STEICO Group was able to lift its revenues in total by 9.6 % to € 83.0 million despite the COVID-19 restrictions (previous year: € 75.7 million) – the highest ever revenues recorded in a single quarter.

Despite the previous COVID-19 restrictions and those which continue to apply, earnings also recorded very pleasing growth.

Gross profits in Q3 totaled € 39.1 million and were thus up by 3.4 % (Q3 2019: € 37.8 million).

EBITDA in Q3 totaled € 17.8 million and was thus 6.2 % lower than in the previous year (Q3 2019: € 19.0 million). The EBITDA margin in the third quarter amounted to 22.2 %.

EBIT in Q3 totaled € 12.3 million, down 6.6 % (Q3 2019: € 13.1 million). The EBIT margin in the third quarter amounted to 15.3 %.

EBT in Q3 totaled € 11.9 million, down 7.0 % (Q3 2019: € 12.8 million).

Gross profits in Q3 totaled € 9.3 million and were thus down by 10.6 % (Q3 2019: € 10.4 million).

Adjusted view of the third quarter⁶

In order to better assess the purely operational growth, the positive one-off effect of the prior-year quarter was eliminated in the following earnings analysis.

The adjusted gross profit for the third quarter amounted to € 35.8 million. Net income for the period was thus up 9.5 % year-on-year at € 39.2 million.

Adjusted EBITDA for the previous year amounted to € 16.6 million in the third quarter. Q3-EBITDA was thus up 7.2 % year-on-year at € 17.8 million.

Adjusted EBIT for the previous year amounted to € 10.8 million in the third quarter. Q3-EBIT was thus up 13.9 % year-on-year at € 12.3 million.

Adjusted EBT for the previous year amounted to € 10.4 million in the third quarter. Q3-EBT was thus up 14.4 % year-on-year at € 11.9 million.

The adjusted net income for the period for the third quarter amounted to € 8.0 million. Net income for the period in Q3 was thus up 16.3 % year-on-year at € 9.3 million.

After elimination of the positive one-off effect from the previous year, the third quarter of 2020 also marks new record results.

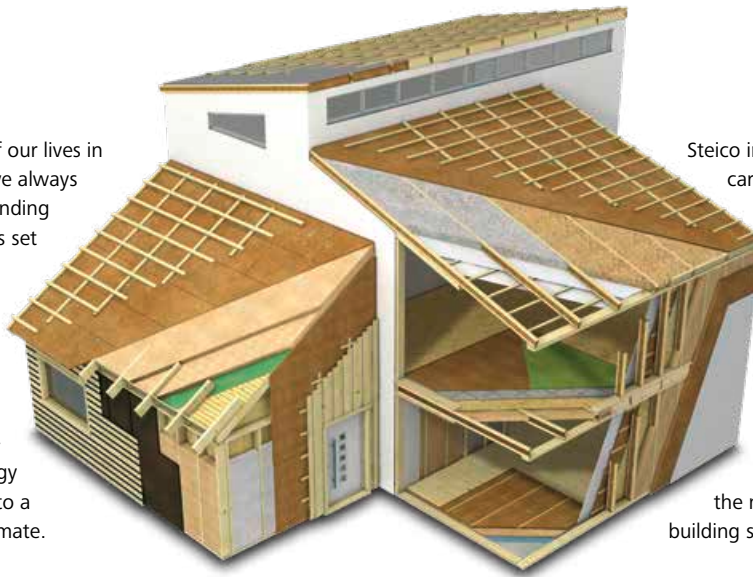
2. OUTLOOK

The Board of Directors expects growth to continue in the fourth quarter – provided that neither tightened COVID-19 restrictions nor an early onset of winter inhibit business activity.

Due to the positive development, the company's management is raising its forecast for the whole of 2020. Revenue is expected to grow by between 5.0 % and 7.0 % year-on-year, with the EBIT ratio expected to be between 10.5 % and 11.5 % (in relation to total operating revenue).

The Board of Directors is also taking a positive view of 2021, even though the COVID-19 pandemic will continue to be a major challenge. Thanks to trend towards natural construction materials and the strong growth in timber construction, growth is expected to continue with sustained good profitability.

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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