

# STEICO SE

Consolidated interim report on Q1 2020

The green share

# Q1 2020

- Revenue growth and solid margins despite coronavirus restrictions

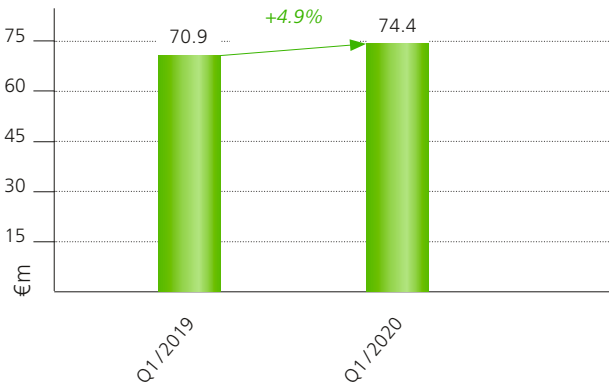


**Natural** building products for **healthier living**

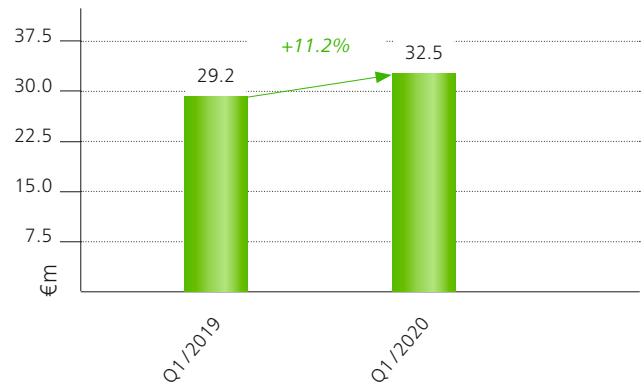
# Interim report Q1 2020

## Revenue growth and solid margins despite coronavirus restrictions

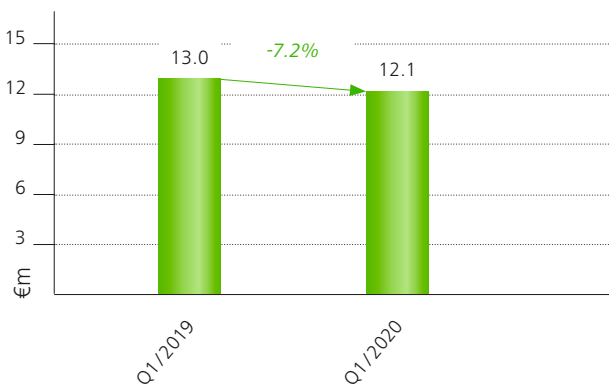
Q1 Revenue growth in € millions



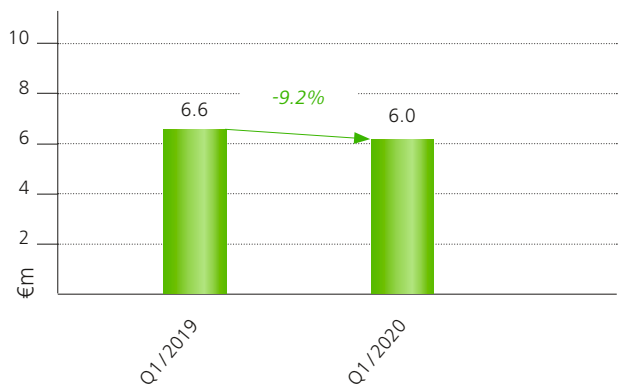
Q1 Gross earnings growth in € millions



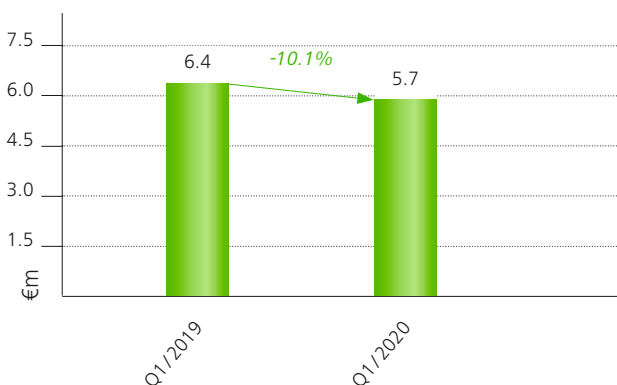
Q1 EBITDA growth in € millions



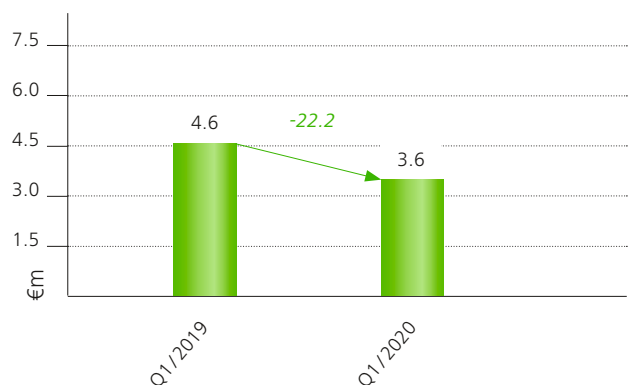
Q1 EBIT growth in € millions



Q1 EBT growth in € millions



Q1 Profit for the period growth in € millions



### ADDITIONAL KPIS

	31 March 2020	31 March 2019
1. Total operating revenue in € millions	€ 72.5 million	€ 70.9 million
2. EBITDA margin as a percentage of total operating revenue	16.7%	18.4%
3. EBIT margin as a percentage of total operating revenue	8.3%	9.4%
4. Equity ratio (31.03.20 / 31.12.19)	49.7%	51.8%

Percentage increases calculated based on non-rounded original values. As a result of reclassifications there may be minor differences compared to the previous year's figures.

In the first quarter of 2010 the STEICO Group continued its on-track growth and lifted its revenues by 4.9% to the new record-breaking figure of € 74.4 million.

The Group also continued to record solid earnings margins. EBITDA was 7.2% lower than in the previous year at € 12.1 million. However, the EBITDA margin is 16.7% (compared to total operating revenue).

EBIT was 9.2% lower than in the previous year at € 6.0 million. The EBIT margin amounted to 8.3%.

The slight downturn in earnings is less due to operating performance, but more caused by the sudden devaluation of the Polish Zloty in March 2020. For example the revaluation of the existing input tax refund claims in Poland led to exchange rate losses at the end of the quarter as a result of the change to the exchange rate. However, this does not impact liquidity as the refunds are used to procure goods in Poland.

The Board of Directors is looking positively to the future, even though STEICO is facing demanding challenges as a result of the current coronavirus crisis. Throughout Europe there is still a need for additional living space and the trend towards timber construction is continuing unabated. In addition, more and more public funding programmes are supporting this form of resource-saving and regional construction. What is more, the essential energetic renovation of existing buildings holds huge potential.

For the year 2020 as a whole, management is continuing to forecast positive growth. Growth momentum is likely to be dampened through to the middle of the year - as was already the case in the first quarter - by the coronavirus restrictions. Provided that the restrictions are then gradually lifted, management expects positive growth impetus in the second half of the year from catch-up effects. For 2020, the Board of Directors expects revenues and total operating revenues (TOR) to be between the previous year's level and plus 5% growth, with an EBIT ratio of between 7.5% and 8.5% (of TOR).

#### Company profile

The STEICO Group develops, produces and markets ecological construction products made of renewable raw materials. STEICO is the European market leader in the wood-fibre 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.

#### 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.

## ECONOMIC CONDITIONS

The spread of the new coronavirus and the associated restrictions on public life lead to far-reaching effects, which cannot yet be statistically determined.

The construction industry showed very positive growth before the emergence of the corona virus. Current data from the European statistics office Eurostat show an increase in production in the European construction industry between January 2019 and January 2020 of 6.0% in the eurozone and 6.2% in the EU 27 countries.<sup>1</sup>

Growth was similarly pronounced in Germany. In 2019, annual turnover in the construction industry rose by 5.1 % compared to 2018. This was the seventh year in a row that the construction industry recorded an increase in turnover. The roofing and carpentry segments, which are particularly relevant for STEICO, even recorded growth of 5.5%, and the carpentry and timber engineering segment grew by 5.4%.<sup>2</sup>

The start of 2020 was also marked by growth. Sales in the construction sector were 13.0% higher in January 2020 than in January 2018. The roofing and carpentry sub-segment recorded a 17.3% increase in sales, while the carpentry and timber engineering segment reported a 14.8% increase in sales compared to the same month last year.<sup>3</sup>

The number of building permits increased again. In 2019, the construction of 360,600 apartments was approved in Germany. This constitutes 4.0% more building permits than in 2018. Since the turn of the millennium, there have only been more approved houses in one year than in 2016.<sup>4</sup>

The trend towards timber construction is also unrelenting. The Bundesverband deutscher Fertigtbau (Federal Association of German Prefabricated Buildings) even reports a pre-fabricated construction rate of over 20% for detached and semi-detached houses in 2019. Prefabricated houses are mainly built in timber construction.<sup>5</sup>

The company's management assumes that the positive environment in the construction sector will be maintained even in the event of a general economic slowdown.

<sup>1</sup>Eurostat; Press release 47/2020 dated 19.03.2020

<sup>2</sup>Destatis; Press release 085 dated 09.03.2020

<sup>3</sup>Destatis; Press release 127 dated 09.04.2019

<sup>4</sup>Destatis; Press release 100 dated 17.03.2020

<sup>5</sup>Bundesverband Deutscher Fertigtbau e.V., press release dated 24.03.2020

## COMPANY GROWTH Q1

From the beginning of March, measures were adopted worldwide to protect against the new coronavirus, which restricted public life in many areas. Among other things, this led to the closure of shops, local restrictions on construction activity and temporary difficulties in goods logistics.

However, apart from regions with particularly far-reaching restrictions, European construction activity has been able to continue for the most part free of disruptions.

Supplies to non-European export markets had to be temporarily suspended from the end of March. Management expects a limited resumption of deliveries during the second quarter of 2020.

Production at STEICO's plants has only been slightly impacted to date. Production at the French plant in Casteljaloux was suspended for several days, but has since been restarted. Production at the Polish plants did not stop.

### New revenue record

Despite the restrictions on public life, STEICO continued its growth in the first quarter of 2020. Revenues grew by 4.9% to € 74.4 million in the first quarter (previous year: € 70.9 million), thus setting a new record for the first quarter.

### Earnings

Gross earnings amounted to € 32.5 million (Q1 2019: € 29.2 million). This corresponds to an increase of 11.2%. In addition to the continued excellent production performance, the increase in gross earnings is partly due to the depreciation of the Polish zloty, which arithmetically results in lower material expenses.

EBITDA totaled € 12.1 million (Q1 2019: € 13.0 million), down by 7.2%. The EBITDA margin is 16.7% (previous year: 18.4%).

EBIT totaled € 6.0 million (Q1 2019: € 6.6 million), or 9.2% lower. The EBIT margin is 8.3% (Q1 2018: 9.4%).

Earnings before taxes (EBT) amounted to € 5.7 million (Q1 2019: € 6.4 million). This corresponds to a decrease of 10.1%.

The slight downturn in earnings is less due to operating performance, but more caused by the sudden devaluation of the Polish Zloty in March 2020. For example the revaluation of the existing input tax refund claims in Poland led to exchange rate losses at the end of the quarter as a result of the change to the exchange rate. However, this does not impact liquidity as the refunds are used to procure goods in Poland.

With € 3.6 million the net income of the period was 22.2% under Q1 2019 with € 4.6 million. However, this figure is not conclusively meaningful, as anticipated effects during the remainder of the year are expected to lead to a reduction in taxation. As a result of transfer price agreements between the group's parent company and the manufacturing subsidiaries compensation payments are expected to be required from STEICO SE to individual subsidiaries during the course of the year. In addition, the Polish production facilities are located in special economic zones which are exempt from income tax. The associated complex tax calculations are only performed at the end of the year. Both of these factors lead to a group-wide reduction in taxation and thus an increase in net earnings.

## OUTLOOK

The Board of Directors is looking positively to the future, even though STEICO is facing demanding challenges as a result of the current coronavirus crisis. Throughout Europe there is still a need for additional living space and the trend towards timber construction is continuing unabated. In addition, more and more public funding programmes are supporting this form of resource-saving and regional construction. What is more, the essential energetic renovation of existing buildings holds huge potential.

For the year 2020 as a whole, management is continuing to forecast positive growth. Growth momentum is likely to be dampened through to the middle of the year - as was already the case in the first quarter - by the coronavirus restrictions. Provided that the restrictions are then gradually lifted, management expects positive growth impetus in the second half of the year from catch-up effects. For 2020, the Board of Directors expects revenues and total operating revenues (TOR) to be between the previous year's level and plus 5% growth, with an EBIT ratio of between 7.5% and 8.5% (of TOR).

## STEICO'S SHARES / INVESTOR RELATIONS

### Performance in Q1 2020

STEICO's shares started the first quarter with a Xetra closing price of € 28.50 on 2 January 2020. During the following weeks, the price of the shares increased significantly, and peaked for the reporting period at € 36.20 on 20 February. This corresponds to an increase of 27.0%.

When numerous restrictions were imposed on public life throughout Europe at the start of March, STEICO's shares were unable to escape the general slump on the stock markets, and fell to an annual low of € 18.25 on March 18, 2020. However, STEICO's shares were able to compensate for these losses during the days that followed and closed at a price of € 24.60 in Xetra trading on 31 March. This corresponds to a decrease of 13.7% in the first quarter of 2020.

### Previous activities

STEICO presented the company to institutional investors at the 23rd ODDO Forum in Lyon (France) on 9/10 January.

STEICO published its provisional figures for 2019 on 3 February.

STEICO presented the company to institutional investors and analysts at the "HSBC SRI/ESG Conference" in Frankfurt am Main on 4/5 February.

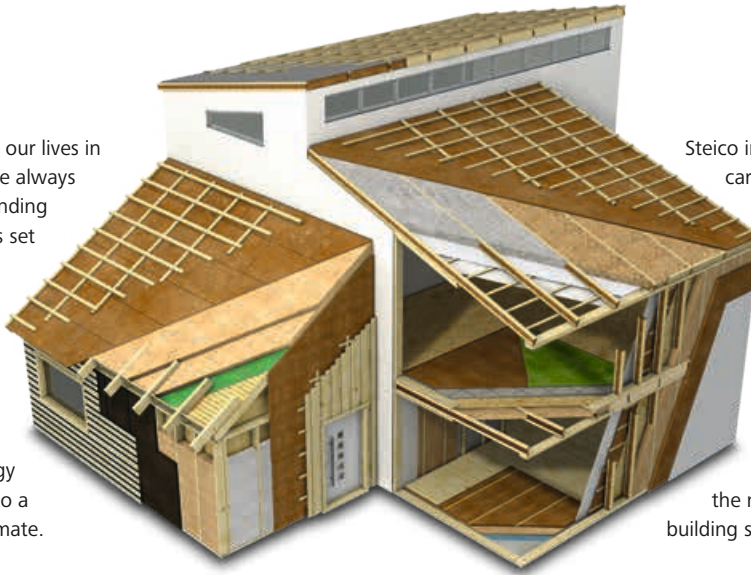
### Corporate diary for the coming months

Due to corona restrictions, no fixed dates are planned at present. Current dates will be published online at [www.steico.com/ir](http://www.steico.com/ir).

STEICO shares: development Q1 2020



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



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engineered by nature

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