

STEICO SE

Consolidated interim report on Q1 2023

The green share

Q1 2023

Year starts with continued stock reductions at STEICO re-sellers

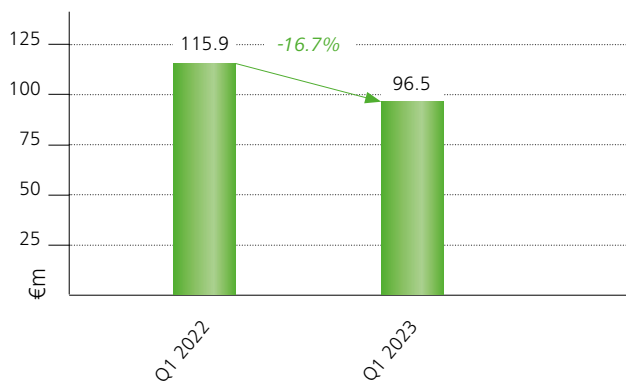


Natural building products for **healthier living**

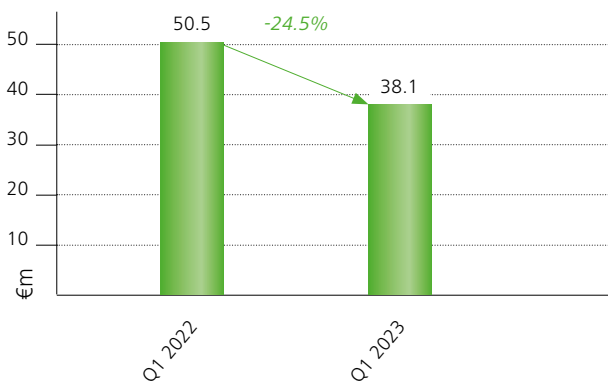
Overview

Year starts with continued stock reductions at STEICO re-sellers

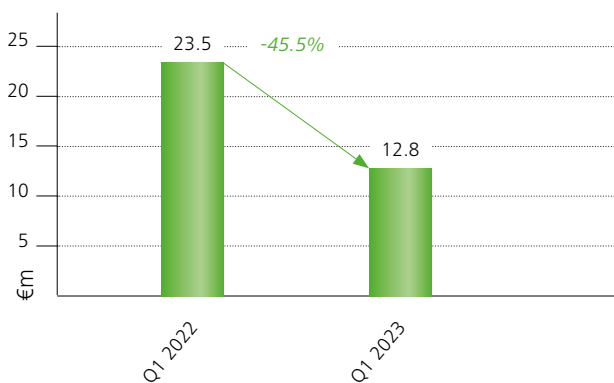
Q1 2023 Revenue growth in € millions



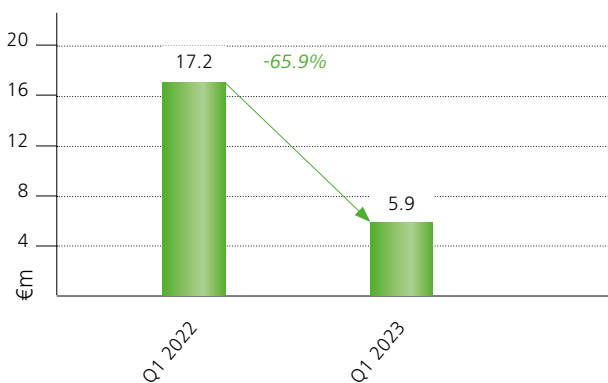
Q1 2023 Gross Earnings growth in € millions



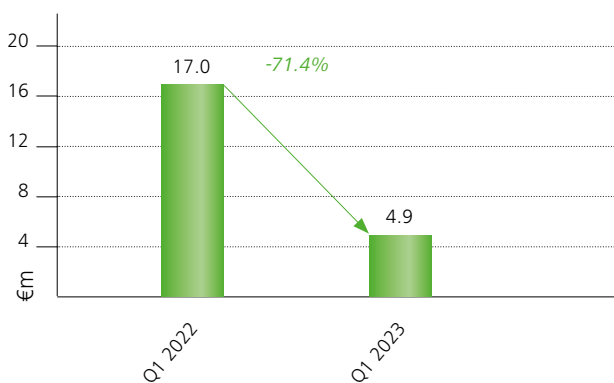
Q1 2023 EBITDA growth in € millions



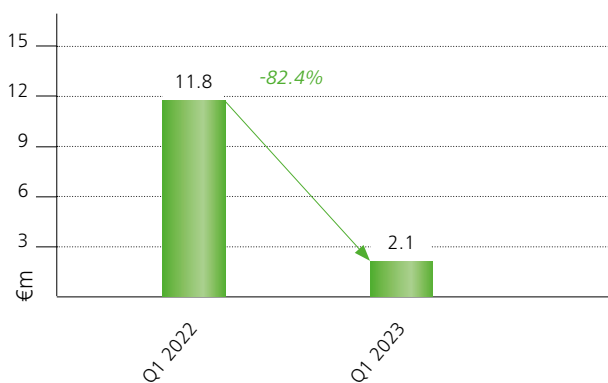
Q1 2023 EBIT growth in € millions



Q1 2023 EBT growth in € millions



Q1 2023 Profit for the Period growth in € millions



ADDITIONAL KPIS

	Q1 2023	Q1 2022
1. Total operating revenue in € millions	€ 97.9 million	€ 115.8 million
2. EBITDA margin as a percentage of total operating revenue	13.1%	20.3%
3. EBIT margin as a percentage of total operating revenue	6.0%	14.9%
4. Equity ratio (as of 31 March 2023 and 31 December 2022)	49.6%	50.6%

Percentage changes and margins are calculated using non-rounded figures.
 Figures from the previous year can differ slightly due to reclassifications.

The wood-fibre insulation materials market was still booming in the first quarter of 2022, however the first quarter of 2023 was slower. The order backlog at STEICO's processing companies continues to be high, however re-sellers behaviour is very reserved. The company's management believes that this is due in particular to the improved availability of wood-fibre insulation materials – as a result many re-sellers are continuing to downscale the amount they hold in stock and are only placing orders in line with requirements. This was coupled with poor weather conditions in many places and also the impact of a cyber attack on STEICO at the start of March.

Revenues in Q1 2023 were down by 16.7% to € 96.5 million year-on-year. EBITDA amounted to € 12.8 million and was thus 45.5% lower than in the previous year. EBIT totalled € 5.9 million, down 65.9% year-on-year.

However, the company's management believes that demand will increase significantly in particular in the second half of the year. In addition to the recovery as a result of the season and the high order book at the processing companies, increasingly positive impetus is expected from an increased level of renovation activities.

However, the environment is more demanding on the whole, and as a result the Executive Board is thus expecting slightly lower development for 2023 as a whole.

If the continued economic developments do not result in any negative effects, the Executive Board is forecasting revenue at the previous year's level of around € 445 million and an EBIT ratio of between 10% and 15% (to total operating revenue).

Company profile

STEICO develops, produces and markets ecological construction products made of renewable raw materials. STEICO is the global market leader for wood fibre 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 fibre insulation panels, facade insulation materials, as well as cavity wall insulation made of wood fibres 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 façades. 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

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I. ECONOMIC CONDITIONS

1. ECONOMIC DEVELOPMENT

Inflation appears to have peaked. The annual inflation rate in the eurozone was 6.9% in March 2023 compared to 8.5% in February. This figure was 7.4% one year previously. The annual inflation rate in the European Union was 8.3% in March 2023 compared to 9.9% in February. This figure was 7.8% one year previously.¹

The German Council of Experts to assess overall economic developments believes that the economy is lightening slightly due to the more stable energy supply and lower wholesale prices. However, the continued high level of inflation means that spending power is lower and is dampening consumer demand. In addition, the higher interest rates meant that financing conditions were poorer. In Germany, the Council of Experts believes that gross domestic product will grow by 0.2% in 2023.²

The higher interest rates and the increase in construction prices are now having an impact on the construction sector. In Germany, statistical data is currently available through to February 2023. This shows that the number of residential planning permissions granted was 20.6% lower than in the same month of the previous year. This means that the number of planning permissions granted has fallen every month since May 2022.³ Order intake in the construction sector was also lower. Compared to the same month of the previous year (February 2022) order intake for structural engineering fell by 29.0%. Compared to January 2023, order intake in the construction industry in February did, however, recover slightly and was up by 4.2%.⁴

Pre-fabricated timber houses suffered slightly less from the downturn according to the Bundesverband Deutscher Fertigtbau. The downturn in planning permission for one and two family homes was 32.6% in January and February 2023 on the whole, however this was only 23.9% for pre-fabricated timber houses. As a result, the market share for pre-fabricated house builders increased to 25.6%. The majority of the association's companies are also fully booked until 2024.⁵ This also reflects the opinion of STEICO's management with regard to the order book for timber construction on the whole.

1 Source: Eurostat; Euroindicators 44/2023 dated 19 April 2023

2 Source: Council of Experts; Updated economic forecast dated 22 March 2023

3 Source: Destatis; Press release 152 dated 18 April 2023

4 Source: Destatis; Press release 163 dated 25 April 2023

5 Source: BDF, Press release dated 23 April 2023

In addition, the construction sector is at the start of a wave of renovation – being driven by renovation to save energy. Experts from Munich Strategy Research expect that future activities to increase efficiency will drive the renovation business. High demand for energy-saving renovation is driven by:

- the large number of existing properties with renovation needs
- higher energy prices
- government subsidies for reaching climate targets
- opportunities from pre-fabrication and construction elements in the renovation sector (series renovation)

In this connection, Munich Strategy Research believes that products to increase energy efficiency will experience an economic recovery.⁶

In France the number of planning permissions granted is now down, after recording record-breaking levels in the first three quarters of 2022. The increase was due in particular to projects being brought forward before new construction requirements come into force. The new construction requirements (RE2020) include regulations on summer heat protection for the first time, and also for construction products which store carbon. STEICO is likely to benefit from this over the long term. The high number of planning permissions granted is now leading to a slight recovery in the start of construction. However, on the whole, in the new construction sector France is suffering from higher interest rates and high construction prices. However, the perspectives in the renovation sector remain excellent.⁷

In the United Kingdom, the most important market for STEICO's I-joists, production in the construction sector was up by 2.4% in February 2023, after falling by 1.7% in January 2023. Growth of 0.9% can also be seen in the three-month observation through to February 2023 for production in the construction sector. This increase is mostly due to an increase in repair and maintenance work with a 5.5% increase. In contrast private residential construction fell by 4.4%.⁸

6 Source: Munich Strategy Managementconsulting; Radical change in the construction sector - 7 observations on growth in the industry, April 2023

7 Source: Ministère de la transition écologique et de la cohésion des territoires; Conjoncture de l'immobilier - Resultats au quatrième trimestre 2022

8 Source: Office for national statistics, Statistical bulletin dated 11 April 2022

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II. COURSE OF BUSINESS

1. COUNTRY DEVELOPMENT (SELECT MARKETS)

Germany

Compared to the same quarter of the previous year, total revenues were down by 26.5% to €33.3 million (previous year: € 45.3 million).

This downturn is due in particular to re-sellers continuing to decrease their stock levels and moving over to need-oriented ordering behaviour as a result of the improved availability of wood-fibre insulation materials. In spite of this, however, the company's management is expecting a substantial increase in demand in the year as a whole due to:

- the continued high order backlog for many timber construction companies
- the seasonal recovery in construction activities after an extended period of bad weather lasting until April
- an increase in renovation activities. STEICO believes that it is excellently positioned here for two reasons. Wood-fibre insulation materials store CO₂ and thus support the trend to CO₂ neutral renovation work. In addition, the STEICO construction system (combination of innovative timber bearing structures and ecological insulation materials) is ideal for series renovation, which receives government funding since the start of the year.

- the increasing proportion of timber construction including regulatory easements for building with timber

France

Compared to the same quarter of the previous year, revenues in France increased by 9.5% to € 16.5 million (previous year: € 15.1 million).

In addition to renovation activities, the high number of planning permissions granted in 2022 have also contributed to the revival of the market.

United Kingdom

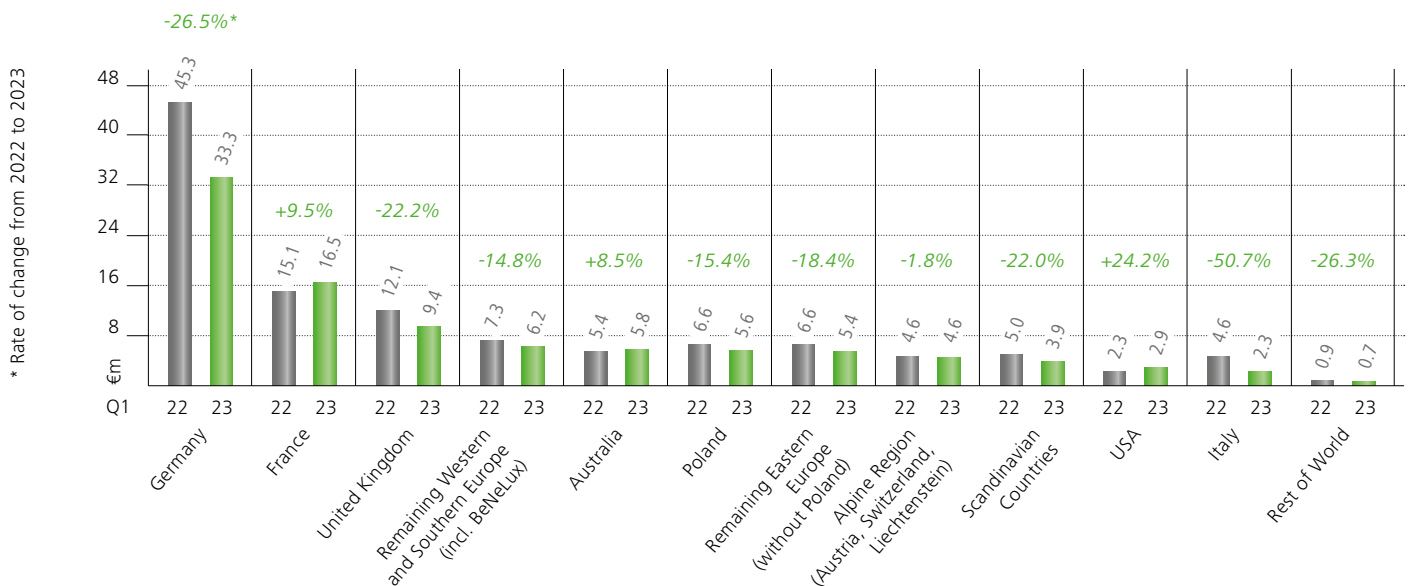
Compared to the same quarter of the previous year, revenues in the United Kingdom were down by 22.2% to € 9.4 million (previous year: € 12.1 million).

This downturn is mostly due to the weather and the reduction in stock levels at customers.

Overseas markets

Revenues in Australia are dominated by sales of I-joists. In the USA refined special products are primarily sold. STEICO occupies attractive high-growth segments on both markets.

Q1 2023: Development Sales by Markets in € million



* Rate of change from 2022 to 2023

2. SEGMENT GROWTH

Environmentally friendly insulation materials

Compared to the same quarter of the previous year, revenues with wood-fiber insulation materials were down by 18.8% to € 61.8 million (previous year: € 76.2 million).

I-joists

During the first quarter, revenues of € 12.9 million were recorded with I-joists, which corresponds to a year-on-year downturn of 30.2% compared to the same period of the previous year (previous year: € 18.5 million).

LVL (Laminated Veneer Lumber)

In the laminated veneer lumber segment revenues in the first quarter of 2023 amounted to €10.8 million. As a result revenues were 2.7% higher than in the same period of the previous year (previous year: € 10.5 million).

Production of pre-fabricated construction elements

Compared to the same quarter of the previous year, revenues with pre-fabricated construction elements were down by 62.7% to €0.4 million (previous year: € 1.0 million).

Timber wholesale and natural fibre boards (hardboards)

Both segments are no longer of strategic importance. From the second quarter of 2023 timber wholesale will only be run as an incidental activity in the United Kingdom.

UNDERLYING CONDITIONS FOR PRODUCTION AND SALES

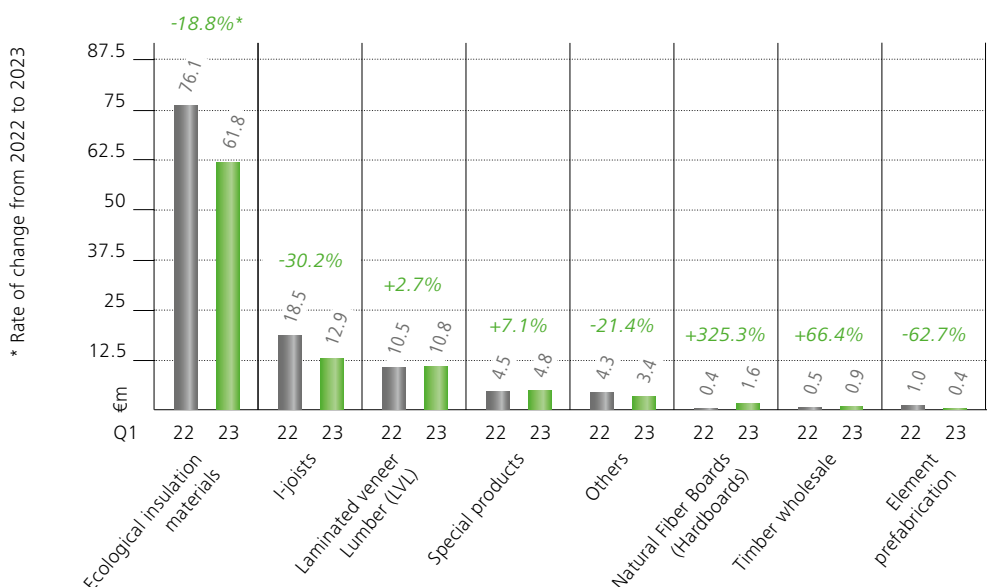
Capacity increases for wood-fibre insulation materials

STEICO is continuing to invest in expanding its production capacities:

- The production line for stable wood-fibre insulation materials using the dry method at the Casteljaloux site in France went live in the fourth quarter of 2022. Annual capacity is around 250,000 cbm.
- The production line for stable wood-fibre insulation materials using the wet method at the Czarna Woda site in Poland is still in the process of going live. Annual capacity is around 135,000 cbm.
- The impact of problems in the supply chain and cost increases for construction products cannot be fully avoided during the work on the new insulation materials plant in Gromadka (Poland). This plant is still scheduled to go live in 2023.

Two production lines for flexible wood-fibre insulation mats are being put in place in Gromadka, and their total annual capacity will be more than 1 million cbm. Stable wood-fibre insulation mats using the dry method will be produced on another line with annual capacity of around 500,000 cbm. The opportunity to double capacity in future is already included in the current project design, which means that it will be possible to further expand this site in line with future requirements.

Q1 2023: Development Sales by Product Groups in € million



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Cyber attack

The STEICO Group was the victim of a cyber attack in the night of 1 March 2023. This affected the group's administrative systems. Production control was not affected, which meant that there was no production downtime. STEICO has well-functioning back-ups for its key systems, which meant that it was possible to fundamentally re-establish operating business within a few days. The impact included temporary restrictions on communication as well as delays or shifts in order processing. The systems are now back on line. At the current time, management believes that the cyber attacks will not impact the STEICO Group's economic growth over the year as a whole.

III. FINANCIAL POSITION, NET ASSETS AND RESULT OF OPERATIONS

1. RESULTS OF OPERATIONS

During the first quarter of 2023 the STEICO group's revenues fell by 16.7% to € 96.5 million (Q1 2022: € 115.9 million).

Gross profits in the first quarter amounted to € 38.1 million and were thus down by 24.5% year-on-year (Q1 2022: € 50.5 million).

EBITDA in the first quarter amounted to € 12.8 million and was thus 45.5% lower than in the previous year (Q1 2022: € 23.5 million). The EBITDA margin in the first quarter was 13.1% (Q1 2022: 20.3%).

EBIT in the first quarter totalled € 5.9 million, which corresponds to a downturn of 65.9% (Q1 2022: € 17.2 million). The EBIT margin in the first quarter was 6.0% (Q1 2022: 14.9%).

EBT in the first quarter amounted to € 4.9 million and was thus down by 71.4% year-on-year (Q1 2022: € 17.0 million).

Net income for the period in the first quarter totalled € 2.1 million, which corresponds to a downturn of 82.4% (Q1 2022: € 11.8 million).

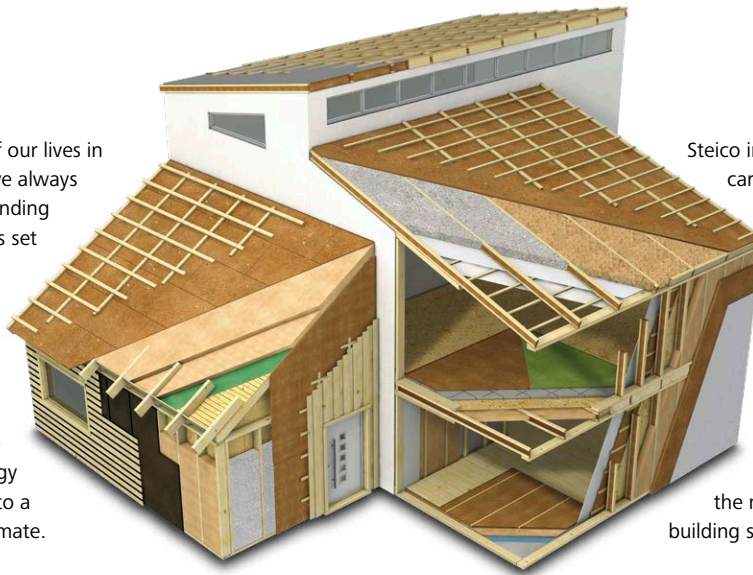
2. OUTLOOK

Despite the weaker first quarter the company's management believes that demand will increase significantly in particular in the second half of the year. In addition to the recovery as a result of the season and the high order backlog at the processing companies, increasingly positive impetus is expected from an increased level of renovation activities.

However, the environment is more demanding on the whole, and as a result the Executive Board is thus expecting slightly lower development for 2023 as a whole.

If the continued economic developments do not result in any negative effects, the Executive Board is forecasting revenue at the previous year's level of around € 445 million and an EBIT ratio of between 10% and 15% (to total operating revenue).

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

CE



FORUM
HOLZBAU
PREMIUM
PARTNER

Quality
Management
ISO 9001:2015

Environmental
Management
ISO 14001:2015

STEICO
engineered by nature

STEICO SE • Otto-Lilienthal-Ring 30 • 85622 Feldkirchen (GER)
Tel.: +49-(89)89-99 15 51-0 • Fax: +49-(0)89-99 15 51-700
Internet: www.steico.com • E-mail: info@steico.com