

# STEICO SE

Group interim report on 9M/Q3 2023

The green share

# Q3 2023

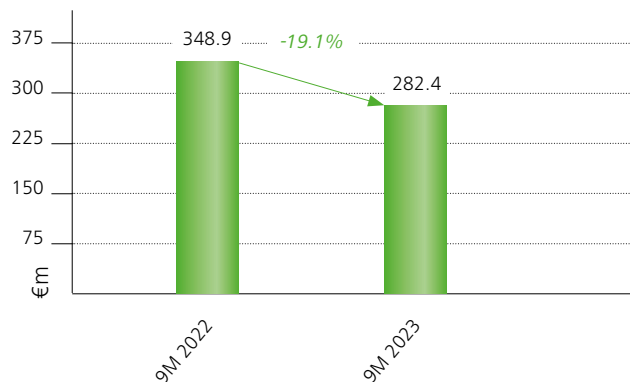
Demand stabilizes in third quarter



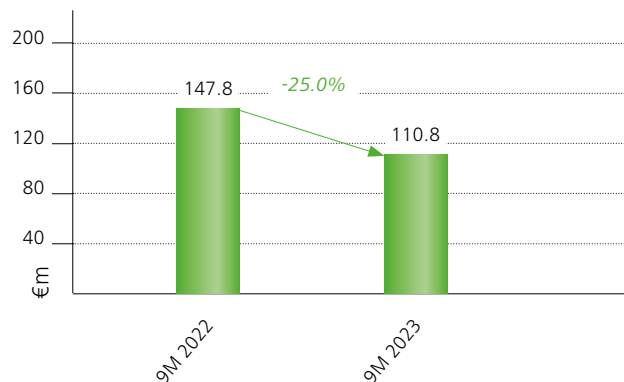
**Natural** building products for **healthier living**

## Demand stabilizes in third quarter

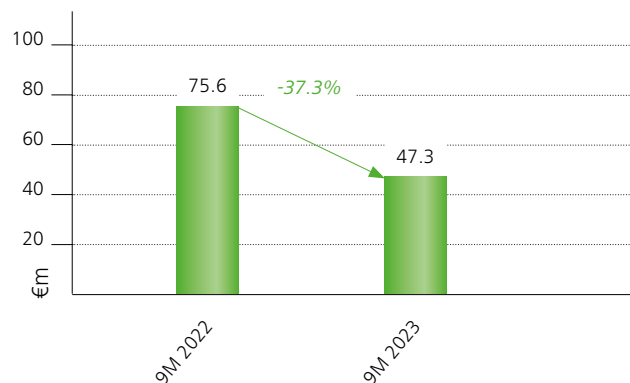
9M 2023 Revenue growth in € millions



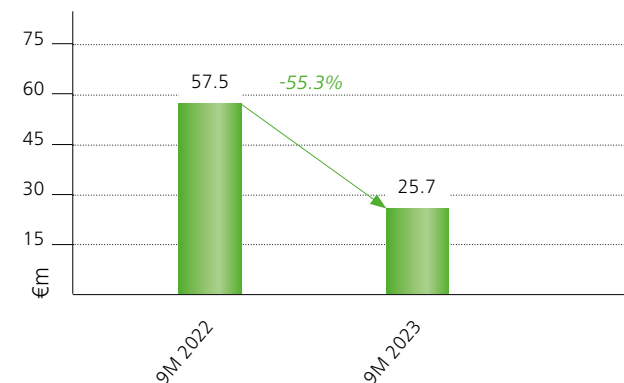
9M 2023 Gross Earnings growth in € millions



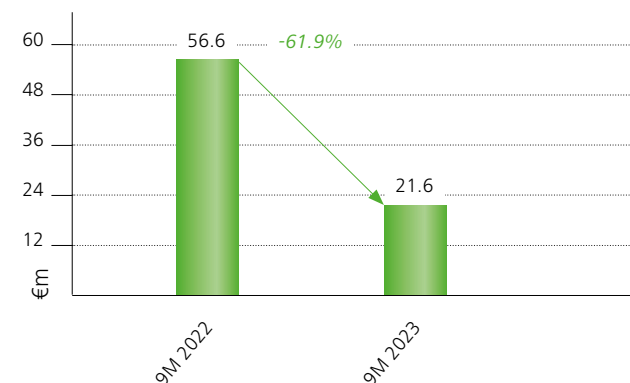
9M 2023 EBITDA growth in € millions



9M 2023 EBIT growth in € millions



9M 2023 EBT growth in € millions



9M 2023 Profit for the Period growth in € millions



### ADDITIONAL KPIS

	9M 2023	2022	9M 2022
1. Total operating revenue in € millions	€ 277.7 million	€ 467.4 million	€ 358.7 million
2. EBITDA margin as a percentage of total operating revenue	17.0%	19.3%	21.1%
3. EBIT margin as a percentage of total operating revenue	9.3%	13.9%	16.0%
4. Equity ratio (as of 30 September or 31 December)	48.9%	53.5%	50.1%

Percentage changes and margins are calculated using non-rounded figures.

Inflation, higher financing costs and increased competition impact demand on almost all sales markets. Sales in Germany, the STEICO Group's main market, were particularly affected, falling by 29.1% in the first nine months. In addition to the weak new construction sector, the ongoing insecurity concerning the underlying political conditions led to renovation work being perceptibly put back to a later date. Towards the end of the third quarter, however, the pickup in demand increasingly gained momentum.

On the whole, sales in the first nine months were down by 19.1% to € 282.4 million compared to the same period of the previous year. EBITDA for the first nine months totaled € 47.3 million (-37.3%) and EBIT totaled € 25.7 million (-55.3%). The nine-month EBITDA margin amounted to 17.0%, with the EBIT margin at 9.3%.

Management believes that sales will be down by -15% to -17% year-on-year. The EBIT margin continues to be forecast at between 8% and 10% (in relation to total operating revenue).

#### 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.

Laminated veneer lumber and I-joists form the structural components of the system. Insulation materials 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. Sealing products for the building shell round off the overall system.

The STEICO Group offers its customers a unique range of products up to the prefabrication of complete building components for wood 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.

#### 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. ECONOMIC DEVELOPMENT

The higher level of interest rates and inflation is continuing to depress the European economy.

According to Eurostat, the European Statistics Office, residential construction production in the EU was down by 1.3% in the second quarter of 2023 compared to the same period of the previous year. Current data is available for July 2023. Here, the EU recorded slight growth in production of 0.8% compared to the same month of the previous year.<sup>1</sup>

In Germany, the most important market for the STEICO Group, construction activities continue to be impacted by the negative economic environment. The number of building permits issued for single-family homes fell by 53.2% from January to July 2023 compared to the same period of the previous year. For multi-family homes this figure fell by 27.5%<sup>2</sup>

Companies in the timber construction segment continue to enjoy full capacity uptake thanks to existing orders, however new business is falling substantially. For example, the German Association of Prefabricated (Bundesverband deutscher Fertigbau) states that its members are working at full capacity through to mid-2024 on average, however that new orders have fallen by 45% within the space of a year.<sup>3</sup>

Many industry players believe that energy-saving renovation work will drive a potential recovery in the construction industry. STEICO's management believes that the winding political discussions in Germany concerning the future Act on Building Energy Efficiency is leading to insecurities among clients and is thus preventing renovation work from moving ahead.

## II. COURSE OF BUSINESS

### 1. COUNTRY DEVELOPMENT (SELECT MARKETS)

#### Germany

During the first nine months sales in Germany fell by 29.1% from € 142.4 million to € 100.9 million.

In addition to the weak incidental construction sector, renovation work did not develop as had been originally expected. This is most likely due, in particular, to uncertainties concerning the underlying political conditions.

#### France

During the first nine months sales in France lifted by 3.1% from € 42.9 million to € 44.2 million.

According to the French industry association Fédération Française du Bâtiment (FFB), new construction activity in France is also suffering from higher interest rates and inflation. During the period from January to July 2023 newly issued building permits fell by almost 30% compared to the same period of the previous year, the start of construction was down by more than 15% compared to the same period of the previous year. In contrast, renovation work increased by +2.4% in Q2 2023 compared to the same period of the previous year.<sup>4</sup> STEICO's management believes that environmentally friendly construction material will be in particular demand for renovation work.

#### United Kingdom

During the first nine months sales in the United Kingdom fell by 9.4% from € 34.5 million to € 31.3 million.

The industry association Construction Products Association (CPA) believes that production in the construction sector will fall by an anticipated 6.4% through to the end of 2023 - also due to high inflation and increased financing costs. According to the industry experts, the downturn is expected to hit new construction as well as renovation activities.<sup>5</sup>

1 Source: Eurostat euroindicators; 106/2023, 20.09.2023

2 Source: Destatis, press release no. 369, 18 September 2023

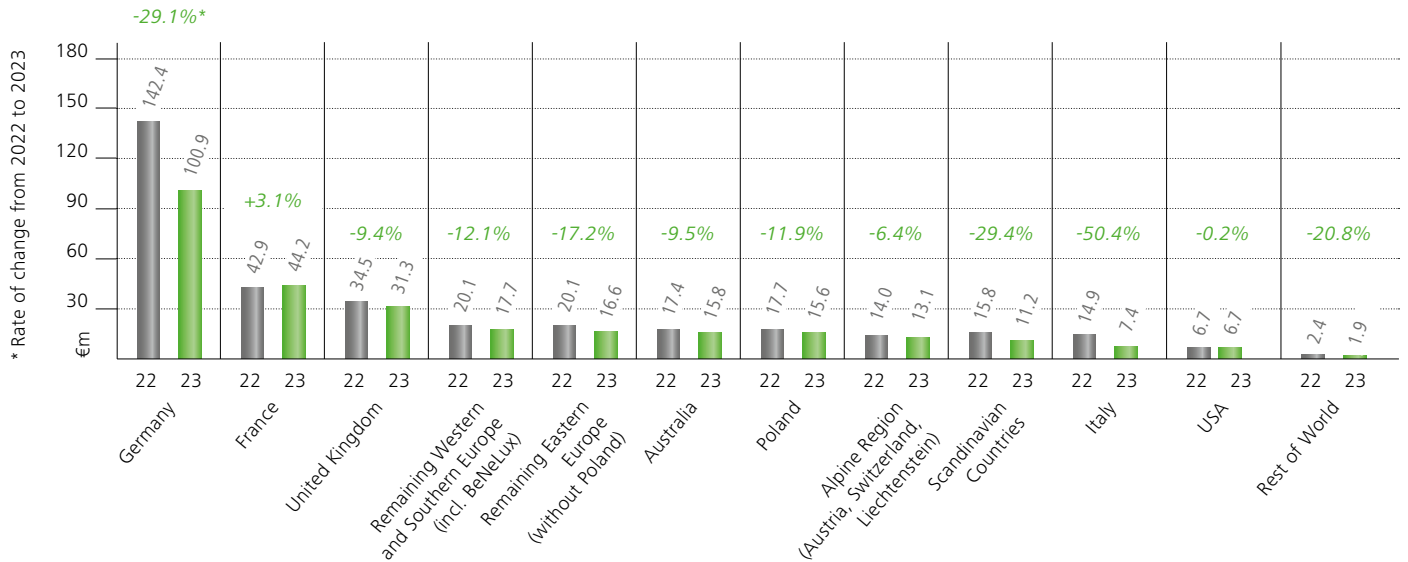
3 Source: Bundesverband deutscher Fertigbau e.V., 29 August 2022

4 Source: FFB Conjoncture à début septembre 2023, 13 September 2023

5 Source: groudandwater.co.uk, UK construction landscape 08.08.2023

# Interim report 9M 2023

9M 2023: Development Sales by Markets in € million



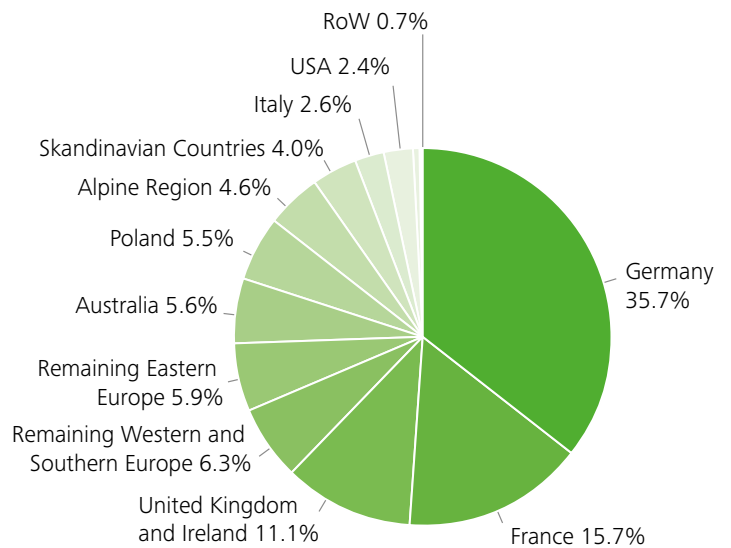
## Italy

During the first nine months sales in Italy fell by 50.4% from € 14.9 million to € 7.4 million. This extraordinarily strong downturn is due to the expiration of a government subsidy program which was responsible for sales increasing in the past year by a similar amount.

## USA

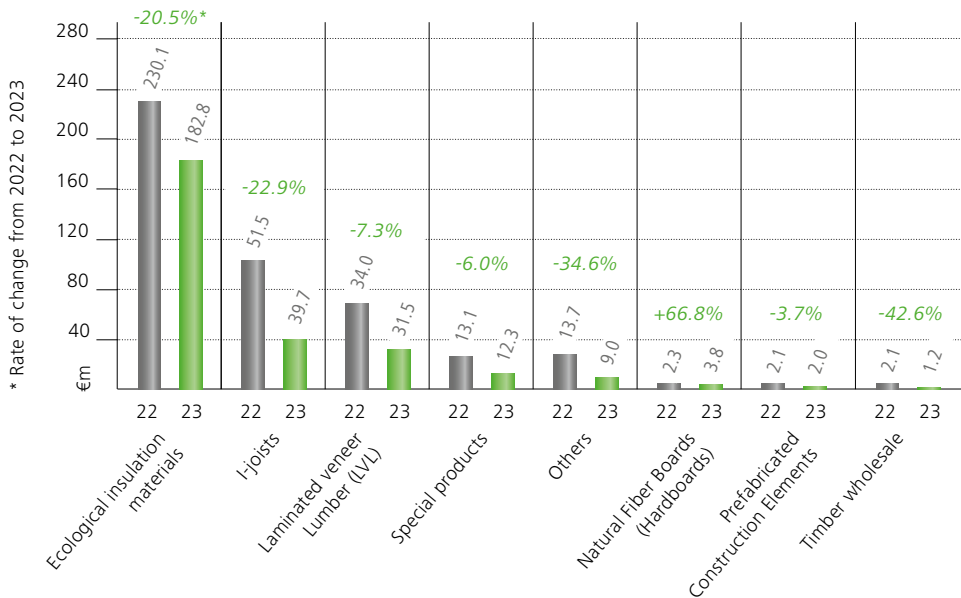
After the first nine months revenues in the USA totaled € 6.7 million, practically at the same level as in the previous year. Sales in the USA are mostly characterised by industrial products and not by the traditional business with insulation materials.

9M 2023: Ratio Revenues by Markets



# Interim report 9M 2023

9M 2023: Development Sales by Product Groups in € million



## 2. SEGMENT GROWTH

### Environmentally friendly insulation materials

During the first nine months sales of wood-fiber insulation materials fell by 20.5% from € 230.1 million to € 182.8 million.

This downturn is due to the difficult construction economy and the heightened competitive situation for wood-fiber insulation materials.

### I-joists

During the first nine months sales of I-joists fell by 22.9% from € 51.5 million to € 39.7 million.

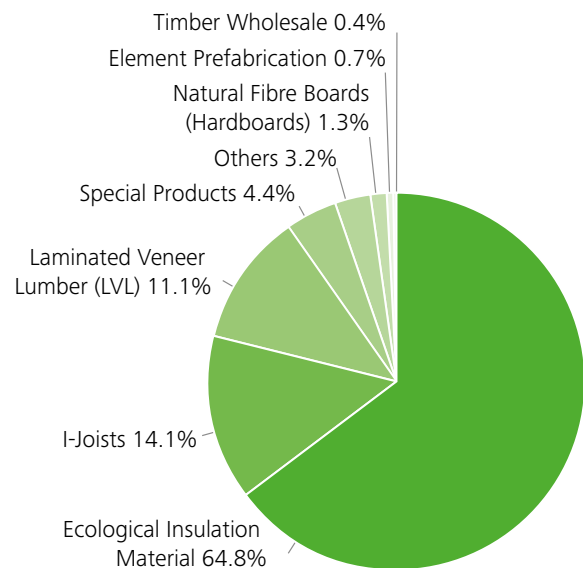
This downturn is also due to lower prices for traditional construction timber, which is the main competing product for I-joists.

### Laminated veneer lumber

Sales of laminated veneer lumber also fell. During the first nine months this figure fell by 7.3% from € 34.0 million to € 31.5 million.

Laminated veneer lumber is a construction product for special requirements, and thus benefited from the trend for multi-storey timber construction. In addition, other product versions were included in the product range.

9M 2023: Ratio Revenues by Products



### Others

During the first nine months sales in the others segment fell by 34.6% from € 13.7 million to € 9.0 million.

This segment mostly comprises system-based articles, which are sold as merchandise and which round off business with core products.

# Interim report 9M 2023

## Special products

During the first nine months sales with special products fell by 6.0% from € 13.1 million to € 12.3 million.

The special products segment includes internally generated products for industrial applications.

## Natural fibre boards

Natural fibre boards are mostly used internally as a component of I-joists. External sales are generated as opportunities arise. During the first nine months sales increased by 66.8% from € 2.3 million to € 3.8 million. As a result of the war between Russia and Ukraine, fewer natural fibre boards produced in these regions are reaching the European market.

## Element production

With regards to prefabricated element production, sales in the first nine months are practically on a par with the same period of the previous year at € 2.0 million.

## Timber wholesale

After this division was discontinued at STEICO SE in the second quarter of 2023, timber wholesale activities are now only performed in the United Kingdom. On this market it rounds off the offering of I-joists and laminated veneer lumber, however it is of no strategic importance. During the first nine months timber wholesale sales in the United Kingdom fell by 42.6% from € 2.1 million to € 1.2 million.

## 3. UNDERLYING CONDITIONS FOR PRODUCTION AND SALES

### Market environment and competition

The competitive situation for wood fibre insulation materials remains tense. In addition to the Ziegler Group entering the market at the start of the year, Gutex has announced that it will commission a new plant for wood-fibre insulation materials at the end of September 2023.

### Growth of procurement prices

Substantial downturns in the procurement prices for additives can now be seen, and the company's management believes that it will be possible to achieve better conditions for purchasing timber and energy from the first quarter of 2024.

### Investment project Gromadka

The first insulation materials were produced for quality certification at the new production site in Gromadka (Poland)

in September 2023. The start of high-volume production will correspond to demand.

## III. FINANCIAL POSITION, NET ASSETS AND RESULT OF OPERATIONS

### 1. RESULT OF OPERATIONS

#### 9-month situation

During the first nine months of 2023 sales in the STEICO Group fell by 19.1% from € 282.4 million to € 348.9 million. Total operating revenue totaled € 277.7 million (previous year: € 358.7 million).

Gross profits after the first nine months amounted to € 110.8 million, down by 25.0% compared to the figure from the same period of the previous year (9M 2022: € 147.8 million).

EBITDA after the first nine months totaled € 47.3 million, down by 37.3% compared to the figure from the same period of the previous year (9M 2022: € 75.6 million).

EBIT after the first nine months totaled € 25.7 million, down by 55.3% compared to the figure from the same period of the previous year (9M 2022: € 57.5 million).

EBT after the first nine months totaled € 21.6 million, down by 61.9% compared to the figure from the same period of the previous year (9M 2022: € 56.6 million).

Net income for the period after the first nine months totaled € 14.2 million, down by 65.5% compared to the figure from the same period of the previous year (9M 2022: € 41.2 million).

#### Isolated view of the third quarter<sup>8</sup>

During the third quarter of 2023 sales in the STEICO Group amounted to € 92.4 million. This corresponds to a decrease of 17.1% (previous year: € 111.4 million).

Gross profits in the third quarter amounted to € 40.5 million and were thus down by 13.8% compared to the same period of the previous year (Q3 2022: € 46.9 million).

EBITDA in the third quarter amounted to € 17.2 million and was thus 31.4% lower than in the previous year (Q3 2022: € 25.1 million). The EBITDA margin in the third quarter was 19.3% (previous year: 21.6%).

EBIT in the third quarter totaled € 9.7 million, which corresponds to a downturn of 49.2% (Q3 2022: € 19.0 million). The EBIT margin in the third quarter was 10.8% (previous year: 16.4%).

EBT in the third quarter totaled € 8.0 million, which corresponds to a downturn of 57.1% (Q3 2022: € 18.6 million).

Net income for the period in the third quarter amounted to € 5.2 million and was thus down by 63.6% year-on-year (Q3 2022: € 14.3 million).

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#### IV. OUTLOOK

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The majority of companies in the timber construction sector continue to have an order backlog through to 2024, which is having a stabilising effect. At the same time, the company's management believes that activities will shift significantly to the renovation sector, which means that the stabilisation is expected to continue into the fourth quarter.

Management believes that sales will be down by -15% to -17% year-on-year. The EBIT margin continues to be forecast at between 8% and 10% (in relation to total operating revenue).





FORUM  
HOLZBAU  
PREMIUM  
PARTNER



## We love wood.

### STEICO engineered by nature for renovation and new builds

The STEICO Group is the world market leader in the production and sale of ecological wood fibre insulation materials and a leading supplier of innovative timber construction products. STEICO occupies a unique position on the market with the industry's largest product range of ecological insulation materials and an innovative construction systems for timber construction. Almost the entire load-bearing and insulating shell of a building can be constructed with STEICO products.

### Sustainable products – sustainable production

The STEICO Group is committed to sustainable forestry - the wood used comes from forests certified according to the strict rules of the PEFC. All products have the necessary building authority approvals. In addition, independent product testing by the IBR (Institute for Building Biology Rosenheim) guarantees the high quality of the products. The STEICO Group also sets standards in environmentally friendly production and uses, for example, CO<sub>2</sub>-neutral biomass as an energy source.



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