Press Release | FY 2020 Financial Results

Regulated Information
Thursday 25 February 2021 at 7:00h CET

Strong profitability and deleveraging

New sustainable product ranges ready to support EU Green Deal

Sales	Adj. EBITDA	Net Debt	Net Result	Dividend
€642.2	**€86.0m**	**€55.5m**	**€25.6m**	**€5cts/share**
(+1.3%)	(€60.6m LY)	(€140.2m LY)	(€-14.7m LY)	

Executive Summary

The Group resumed its profitable growth track with Adjusted EBITDA and Net Result reaching their highest levels of the last decade.

Sales increased by 1.3% to €642.2m as the negative impact from Covid-19 has been compensated by customer wins, market recovery in Turkey and structural market growth on the back of a growing population and higher renovation activity required to meet increasing comfort standards and climate targets.

Adj. EBITDA amounts to €86.0m (vs €82-86m indicated in our 15 Jan 2021 press release) or 13.4% on sales, which is significantly better than in 2019 (€60.6m) and back on track with the profitable growth path realized over the last 5 years. This improvement is mainly driven by higher volumes, improved operational efficiency gradually reflecting the payback on investments done in previous years and the strategic repositioning in Europe which gradually starts to contribute. The negative impact from Covid-19 has been largely mitigated through the immediate implementation of various cost reduction initiatives and temporary lower raw material prices in certain markets.

Net financial debt decreased substantially to €55.5m (vs €140.2m in 2019 and vs €55-60m indicated in our 15 Jan 2021 press release) resulting in a leverage of 0.6x (2.3x end 2019). Much of this improvement is considered permanent and is driven by better performance, lower strategic capex, further optimization of working capital, the sale of unused assets and the sale of 7.41% of Ege Profil in Turkey. An estimated €15-20m of this reduction, reflecting exceptionally low working capital levels and timing differences, is considered temporary and will probably reverse in 2021.

Despite the pandemic, the Group's strategic projects remain on track and will increasingly support our performance. These include further investments in recycling and in the sustainability of both our products and our production processes, the commercial launch of the innovative Elegant platform, capacity expansions in the US, footprint optimization in Europe and the further rollout of SAP.

Our innovative product ranges are the perfect solution to improve the energy efficiency in buildings, which currently account for 40% of energy consumption and 36% of greenhouse gas emissions. Therefore, we truly welcome the EU Green Deal which will accelerate renovation in Europe which is required to reach carbon neutrality by 2050. According to market studies this might cause the European building sector, which has been a mature sector for years, to grow again.

The Board of Directors will propose to the General Assembly to pay out a **dividend** of €0.05 per share (vs €0.03 per share from 2017 to 2019 while no dividend has been distributed in 2020 as a consequence of Covid-19).

Quote of the CEO, Francis Van Eeckhout

"The year 2020 will undoubtedly be remembered by all of us for the Covid-19 pandemic. The human tragedy has been significant, and my deepest sympathies go to everyone who suffered personal loss. At the same time, I am impressed by the drive, commitment and flexibility of our customers, partners and colleagues around the world. It is thanks to all of them that our company is weathering this storm so well.

I am therefore pleased that in 2020 we could resume our profitable growth path, with EBITDA and earnings reaching their highest level in a decade.

Looking forward, we see the growing awareness for climate change and we warmly welcome the increasing number of initiatives taken by governments worldwide to reduce CO2-emissions and make buildings more energy efficient (e.g. EU Green Deal). At Deceuninck, we truly believe that our products, thanks to their superior insulation value and efficient recycling possibilities, are part of the solution to address the challenges of climate change.

Finally, I would like to thank Wim Van Acker, who will be leaving our company at the end of this month, for his drive and professionalism throughout the five years he has worked at Deceuninck. His role in steering Deceuninck through the pandemic and in the strategic repositioning of the Group cannot be underestimated. I wish him all the best."

Figure 1: Summary of consolidated Income Statement

(in € million)	H2 2019	H2 2020	*% yoy*	FY 2019	FY 2020	*% yoy*
Sales	**321,3**	**352,9**	***9,9%***	**633,8**	**642,2**	***1,3%***
Gross profit	89,1	114,7	*28,7%*	181,9	203,5	*11,9%*
Gross-margin (%)	*27,7%*	*32,5%*	*+4,8pp*	*28,7%*	*31,7%*	*+3,0pp*
EBITDA	22,3	59,1	*165,3%*	51,6	85,5	*65,5%*
Adj. EBITDA	**30,5**	**58,2**	***91,1%***	**60,6**	**86,0**	***41,9%***
Adj. EBITDA-margin (%)	*9,5%*	*16,5%*	*+7,0pp*	*9,6%*	*13,4%*	*+3,8pp*
EBIT	**1,9**	**39,9**	***2013,1%***	**11,2**	**45,9**	***310,3%***
Financial result	(11,5)	(5,9)	*(48,1%)*	(22,5)	(15,3)	*(32,1%)*
EBT	(9,5)	34,0	*(457,3%)*	(11,3)	30,5	*(370,4%)*
Income taxes	(4,0)	(5,0)	*23,6%*	(3,5)	(4,9)	*42,5%*
Net profit / (loss)	**(13,5)**	**29,0**	***(314,7%)***	**(14,7)**	**25,6**	***(273,5%)***

Figure 2: Summary of consolidated Balance Sheet

(in € million)	FY 2019	FY 2020	*% yoy*
Total assets	589,7	599,4	*1,6%*
Equity	233,1	246,3	*5,7%*
Net debt	140,2	55,5	*(60,4%)*
Capital expenditure	35,5	23,5	*(33,8%)*
Working capital	94,5	74,2	*(21,4%)*

Figure 3: Sales evolution by region

(in € million)	FY 2019	∆ Q1	∆ Q2	∆ Q3	∆ Q4	FY 2020	∆ FY
Europe*	338,1	-3,7%	-24,6%	3,7%	3,0%	317,3	-6,2%
Turkey & EM*	160,3	5,4%	-22,6%	8,2%	19,4%	165,3	3,1%
North America	135,4	32,8%	1,2%	16,7%	24,4%	159,6	17,9%
Total	**633,8**	**5,7%**	**-18,6%**	**7,8%**	**12,1%**	**642,2**	**1,3%**

* From 01.01.2020, Romania is reported as part of Europe instead of part of the Emerging Markets. In order to have comparable data in the table above, the 2019 sales in Romania have been reallocated from Turkey & EM to Europe. The impact on the other KPI's is considered as insignificant.

Management comments

Sales

Consolidated sales increased by 1.3% to €642.2m, compared to €633.8m in FY 2019.

Sales in **Turkey & Emerging Markets** increased by 3.1% to €165.3m (FY 2019: €160.3m) as the gradual recovery of the Turkish domestic market and the expansion in Emerging Markets have been offset by the impact of Covid-19. Especially India and Chile have been negatively affected by long lasting lockdowns. The devaluation of the Turkish Lira has been largely compensated by price increases.

In **North America** sales increased by 17.9% to €159.6m (FY 2019 €135.4m) thanks to market growth and new strategic customer wins. Although demand was much more erratic and unpredictable, the overall impact of Covid-19 on total 2020 volumes remained limited.

Sales in **Europe** decreased by 6.2% to €317.3m (FY 2019: €338.1m), which is mainly explained by the reduction in volumes due to lockdown countermeasures taken by governments across Europe to mitigate the spreading of Covid-19. The rollout of the new Elegant platform started and is on track.

Income statement

Adj. EBITDA amounts to €86.0m or 13.4% on sales, which is significantly better than in 2019 (€60.6m) and back on track with the profitable growth path realized over the last 5 years. This improvement is mainly driven by higher volumes, improved efficiency gradually reflecting the payback on investments made in previous years and the strategic repositioning in Europe which gradually starts to contribute. The negative impact from Covid-19 has been largely mitigated through the immediate implementation of various cost reduction initiatives and temporary lower raw material prices in certain markets.

Depreciations remained broadly stable at €39.6m (FY 2019: €40.5m).

Adjusted EBITDA items (difference between EBITDA and Adj. EBITDA) amount to €-0.5m (2019: €-9.0m) and mainly include restructuring and integration costs which have been largely offset by gains on the sale of unused assets.

The **Financial result** improved to €-15.3m (2019: €-22.5m) thanks to lower TRY interest rates and further deleveraging, mainly during the second part of the year.

Income tax expenses increased to €4.9m (2019: €3.5m) reflecting improved profitability in 2020 while the tax expenses in 2019 mainly consisted of one-off tax charges.

As a consequence of the above the **Net Result** increased to €25.6m (FY 2019: loss of €14.7m).

Cash Flow and Balance sheet

2020 **Cash flow** was strong and as a result net financial debt decreased significantly to €55.5m (vs €140.2m in 2019) resulting in a leverage of 0.6x (2.3x end 2019). Much of this improvement is considered permanent and is driven by better performance, lower strategic capex, further optimization of working capital, the sale of unused assets and the sale of 7.41% of Ege Profil in Turkey. An estimated €15-20m of this reduction, reflecting exceptionally low working capital levels and timing differences, is considered temporary and will probably reverse in 2021.

Strategic projects

Despite the pandemic, the Group's strategic projects remain on track and will gradually contribute to our performance. These include further investments in the sustainability of our products and our production processes, the commercial launch of the innovative Elegant platform, capacity expansions in the US, footprint optimization in Europe and the further rollout of SAP.

As part of our commitment to be a leading circular player in our industry additional investments are planned in 2021 to accelerate the ramping up of our recycling facility in Diksmuide, where in 2020 we already recycled 22.000 tonnes PVC bruto, which is the equivalent of 1.1m old windows and over 20% of our European PVC consumption.

Outlook

Despite the mid-term uncertainty resulting from the Covid-19 pandemic, our long-term growth drivers remain intact. Our products perfectly meet the housing needs of a growing world population while maintaining a healthy balance with social, economic and environmental considerations.

Our innovative product ranges are the perfect solution to improve the energy efficiency in buildings, which currently account for 40% of energy consumption and 36% of greenhouse gas emissions. Therefore, we welcome the EU Green Deal which will accelerate renovation in Europe which is required to reach carbon neutrality by 2050. According to market studies this might cause the European building sector, which has been a mature sector for years, to grow again.

The strong performance in 2020 has continued in the first weeks of 2021 with high growth in all regions.

Annex 1: Consolidated Income Statement

(in € million)	H2 2019	H2 2020	FY 2019	FY 2020
Sales	**321,3**	**352,9**	**633,8**	**642,2**
Cost of goods sold	(232,2)	(238,3)	(451,9)	(438,6)
Gross profit	**89,1**	**114,7**	**181,9**	**203,5**
Marketing, sales and distribution expenses	(53,9)	(52,1)	(110,1)	(110,2)
Research and development expenses	(3,6)	(3,6)	(7,5)	(6,9)
Administrative and general expenses	(22,0)	(21,6)	(45,5)	(42,1)
Other net operating result	(6,7)	3,1	(6,5)	4,5
Share of result of a joint venture	(1,0)	(0,5)	(1,1)	(3,0)
Operating profit (EBIT)	**1,9**	**39,9**	**11,2**	**45,9**
Costs related to the derecognition of accounts receivable	(3,1)	(2,0)	(6,1)	(3,9)
Interest income / (expense)	(4,4)	(2,2)	(7,4)	(5,9)
Foreign exchange gains / (losses)	(3,4)	(0,8)	(7,9)	(4,5)
Other financial income / (expense)	(0,5)	(1,0)	(1,1)	(1,1)
Profit / (loss) before taxes (EBT)	**(9,5)**	**34,0**	**(11,3)**	**30,5**
Income taxes	(4,0)	(5,0)	(3,5)	(4,9)
Net profit / (loss)	**(13,5)**	**29,0**	**(14,7)**	**25,6**
Adj. EBITDA	**30,5**	**58,2**	**60,6**	**86,0**

The net profit / (loss) is attributable to: (in € million)	H2 2019	H2 2020	FY 2019	FY 2020
Shareholders of the parent company	(13,6)	27,8	(15,0)	24,2
Non-controlling interests	0,1	1,2	0,2	1,3

Earnings per share distributable to the shareholders of the parent company (in €):	FY 2019	FY 2020
Basic earnings per share	(0,11)	0,18
Diluted earnings per share	(0,11)	0,17

Annex 2: Consolidated statement of financial position

(in € million)	FY 2019	FY 2020
Assets		
Intangible fixed assets	3,7	2,3
Goodwill	10,6	10,6
Tangible fixed assets	299,2	254,3
Financial fixed assets	0,0	0,0
Investment in a joint venture	2,9	0,0
Deferred tax assets	4,5	5,2
Long-term receivables	0,9	0,8
Non-current assets	**321,8**	**273,1**
Inventories	109,1	112,9
Trade receivables	78,1	69,3
Other receivables*	26,4	37,2
Cash and cash equivalents	52,8	105,6
Fixed assets held for sale	1,6	1,2
Current assets	**267,9**	**326,2**
Total assets	**589,7**	**599,4**
Equity and liabilities		
Issued capital	53,9	54,0
Share premiums	88,3	88,3
Retained earnings	200,4	228,3
Remeasurements of post employment benefit obligations	(7,6)	(7,4)
Treasury shares	(0,1)	(0,1)
Treasury shares held in subsidiaries	(0,5)	0,0
Currency translation adjustments	(103,8)	(123,8)
Equity excluding non-controlling interest	**230,7**	**239,3**
Non-controlling interest	2,4	6,9
Equity including non-controlling interest	**233,1**	**246,3**
Interest-bearing loans including lease liabilities	140,5	137,0
Other long term liabilities	0,1	0,7
Employee benefit obligations	22,6	22,3
Long-term provisions	4,7	3,5
Deferred tax liabilities	0,7	1,8
Non-current liabilities	**168,6**	**165,3**
Interest-bearing loans including lease liabilities	52,4	24,1
Trade payables	92,7	108,0
Tax liabilities	3,7	8,3
Employee related liabilities	12,0	14,4
Employee benefit obligations	1,3	1,2
Short-term provisions	7,0	3,2
Other liabilities*	19,1	28,7
Current liabilities	**188,0**	**187,8**
Total equity and liabilities	**589,7**	**599,4**
Total net debt	**140,2**	**55,5**

* Restated for 2019 to reflect the gross presentation of the advance checks received for a total amount of 14.355.735 EUR, adjusting 'Other receivables' and 'Other payables'.

Annex 3: Consolidated statement of Cash Flows

(in € million)	FY 2019	FY 2020
Profit (+) / loss (-)	(14,7)	25,6
Depreciations & Impairment	40,5	39,6
Net financial charges	22,5	15,3
Income taxes	3,4	4,9
Inventory write-off (+ = cost / - = inc)	(0,7)	2,9
Trade AR write-off (+ = cost / - = inc)	(0,5)	4,4
Movements in provisions (+ = cost / - = inc)	6,3	(4,0)
Gain / Loss on disposal of (in)tang. FA (+ = cost / - = inc)	(0,1)	(2,8)
Fair value adjustments of investment in a joint venture (equity method)	1,4	3,0
GROSS OPERATING CASH FLOW	**58,1**	**88,8**
Decr / (incr) in inventories	8,9	(17,1)
Decr / (incr) in trade AR	10,7	(6,2)
Incr / (decr) in trade AP	(16,1)	27,2
Decr / (incr) in other operating assets/liabilities	(0,7)	4,6
Income taxes paid (-) / received (+)	(2,7)	(2,7)
CASH FLOW FROM OPERATING ACTIVITIES	**58,1**	**94,5**
Purchases of (in)tangible FA (-)	(35,5)	(23,5)
Investment in financial FA (-)	(2,5)	(0,0)
Proceeds from sale of (in)tangible FA (+)	0,5	15,7
Proceeds from sale of financial FA (+)	0,1	15,4
CASH FLOW FROM INVESTMENT ACTIVITIES	**(37,4)**	**7,5**
(Acquisition) / sale of treasury shares (in subsidiaries)	0,4	0,0
Dividends paid (-)	(4,3)	(0,1)
Interest received (+)*	4,5	2,6
Interest paid (-)	(12,8)	(8,2)
Net financial result, excl interest	(21,9)	(4,7)
New long-term debts	9,2	13,1
Repayment of long-term debts	(13,4)	(14,4)
New short-term debts	21,2	15,3
Repayment of short-term debts	(12,7)	(39,8)
CASH FLOW FROM FINANCING ACTIVITIES	**(29,8)**	**(36,2)**
Net increase / (decrease) in cash and cash equivalents	**(9,0)**	**65,9**
Cash and cash equivalents as per beginning of period	**65,8**	**52,8**
Net increase / (decrease) in cash and cash equivalents	(9,0)	65,9
Impact of exchange rate fluctuations	(4,0)	(13,0)
Transfers	0,0	(0,1)
Cash and cash equivalents as per end of period	**52,8**	**105,6**

* 2019 cash flow has been restated to reflect the amended classification of Interest received as Cash Flow from Financing Activities instead of Cash Flow from Operating Activities from 01.01.2020.

Financial calendar

25 February 2021	FY 2020 results
26 February 2021	Virtual Roadshow KBC Securities
1 March 2021	Virtual Roadshow Degroof Petercam
27 April 2021	General Assembly
17 August 2021	Half year results 2021

Glossary

<table>
<tr><td>1</td><td>EBITDA</td><td>EBITDA is defined as operating profit / (loss) adjusted for depreciations / amortizations and impairment of fixed assets.
<table>
<tr><th></th><th>2019</th><th>2020</th></tr>
<tr><td>Operating profit</td><td>11,185</td><td>45,887</td></tr>
<tr><td>Depreciations & impairments</td><td>(40,460)</td><td>(39,604)</td></tr>
<tr><td>EBITDA</td><td>51,645</td><td>85,491</td></tr>
</table></td></tr>
<tr><td>2</td><td>Adjusted EBITDA</td><td>Adjusted EBITDA is defined as operating profit / (loss) adjusted for (i) depreciations / amortizations and impairment of fixed assets, (ii) integration & restructuring expenses, (iii) gains & losses on disposal of consolidated entities, (iv) gains & losses on asset disposals, (v) impairment of goodwill and impairment of assets resulting from goodwill allocation.
<table>
<tr><th></th><th>2019</th><th>2020</th></tr>
<tr><td>EBITDA</td><td>51,645</td><td>85,491</td></tr>
<tr><td>Integration & restructuring expenses</td><td>8,997</td><td>1,825</td></tr>
<tr><td>Result realized on disposal of a sales entity</td><td>(-)</td><td>866</td></tr>
<tr><td>Gains on asset disposal</td><td>(-)</td><td>(3,427)</td></tr>
<tr><td>Impairment of intangible fixed assets arising from goodwill allocation</td><td>(-)</td><td>1,289</td></tr>
<tr><td>Adjusted EBITDA</td><td>60,642</td><td>86,045</td></tr>
</table></td></tr>
<tr><td>3</td><td>EBIT</td><td>EBIT is defined as Earnings before interests and taxes (operational result).
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<tr><td>5</td><td>EPS (non-diluted)</td><td>EPS (non-diluted) are the non-diluted earnings per share and is defined as Earnings attributable to ordinary shareholders over the weighted average number of ordinary shares.</td></tr>
<tr><td>6</td><td>EPS (diluted)</td><td>EPS (diluted) are the diluted earnings per share and is defined as Earnings attributable to ordinary shareholders over the sum of weighted average number of ordinary shares and the weighted average number of ordinary shares which would be issued upon conversion into ordinary shares of all potential shares leading to dilution.</td></tr>
<tr><td>7</td><td>Net debt</td><td>Net debt is defined as the sum of interest-bearing borrowings current and non-current minus cash and cash equivalents.
<table>
<tr><th></th><th>2019</th><th>2020</th></tr>
<tr><td>Interest-bearing loans – non-current</td><td>140,546</td><td>137,022</td></tr>
<tr><td>Interest-bearing loans - current</td><td>52,405</td><td>24,069</td></tr>
<tr><td>Cash and cash equivalents</td><td>(52,799)</td><td>(105,623)</td></tr>
<tr><td>Net debt</td><td>140,152</td><td>55,468</td></tr>
</table></td></tr>
<tr><td>8</td><td>Working capital</td><td>Working capital is calculated as the sum of trade receivables and inventories minus trade payables.
<table>
<tr><th></th><th>2019</th><th>2020</th></tr>
<tr><td>Trade receivables</td><td>78,097</td><td>69,301</td></tr>
<tr><td>Inventory</td><td>109,073</td><td>112,907</td></tr>
<tr><td>Trade payables</td><td>(92,656)</td><td>(107,963)</td></tr>
<tr><td>Working capital</td><td>94,514</td><td>74,245</td></tr>
</table></td></tr>
<tr><td>9</td><td>Capital employed (CE)</td><td>Capital employed (CE) is defined as the sum of non-current assets and working capital.
<table>
<tr><th></th><th>2019</th><th>2020</th></tr>
<tr><td>Working capital</td><td>94,514</td><td>74,245</td></tr>
</table></td></tr>
</table>

		<table><tr><td>Non-current assets</td><td>321,809</td><td>273,139</td></tr><tr><td>**Capital employed (CE)**</td><td>**416,323**</td><td>**347,384**</td></tr></table>
10	Subsidiaries	Companies in which the Group owns a participation in excess of 50% or companies over which the Group has control.
11	MTM	Mark-to-Market.
12	Headcount (FTE)	Total Full Time Equivalents including temporary and external staff.
13	Restricted Group	The Restricted Group consists of all entities of the Group excluding Turkish subsidiaries and their subsidiaries.
14	Leverage	Leverage is defined as the ratio of Net debt to Adjusted EBITDA. <table><tr><td></td><td>**2019**</td><td>**2020**</td></tr><tr><td>Net debt</td><td>140,152</td><td>55,468</td></tr><tr><td>Adjusted EBITDA</td><td>60,642</td><td>86,045</td></tr><tr><td>**Leverage**</td><td>**2.3**</td><td>**0.6**</td></tr></table>

End of press release

About Deceuninck

Founded in 1937, Deceuninck is a top 3 independent manufacturer of PVC and composite profiles for windows and doors. Headquartered in Hooglede-Gits (BE), Deceuninck is organized in 3 geographical segments: Europe, North America and Turkey & Emerging Markets. Deceuninck operates 18 vertically integrated manufacturing facilities, which together with 16 sales and distribution entities guarantee the necessary service and response time to Customers. Deceuninck strongly focuses on innovation, ecology and design. Deceuninck is listed on Euronext Brussels ("DECB").

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