deceuninck

Press Release | H1 2021 Financial Results

Regulated Information
Tuesday 17 August 2021 at 7:00h CET

Strong sales growth converted in substantial profitability improvement

Sales	Adj. EBITDA	Net Result	Net Debt
€404.0m	**€51.0m**	**€20.6m**	**€97.0m**
(€ 289.2m LY)	(€27.8m LY)	(€-3.4m LY)	(€118.4m LY)

Executive Summary

- Strong sales growth in all regions resulting in record-high sales of € 404.0m (+39.7%)
- Volume growth driven by strong residential construction market (both renovation and new build)
- Resilient Adj. EBITDA-margin at 12.6% despite unprecedented increase in raw material prices
- Net profit of € 20.6m or € 0.15 EPS thanks to strong operational result and lower financial charges
- Financial leverage decreased to 0.9x Adj. EBITDA
- Important preparatory steps being set to lower our carbon footprint towards CO_2-neutrality
- Strong residential construction market as well as high raw material prices expected to persist in H2
- Half year report available at www.deceuninck.com/investors

Quote of the CEO, Francis Van Eeckhout

"I am extremely pleased with our performance in the first half of this year. Despite constrained supply of raw materials, we have been able to realize a strong volume growth in all our regions. Yet, due to the particularly strong demand in combination with raw material scarcity, we have not always been able to meet our delivery terms towards our customers, which we deeply regret. In addition, in order to avoid production outages and further delays in deliveries, we had to accept higher purchase prices month after month, which has forced us to increase our selling prices several times. Going forward, we might have to further increase our prices to protect our margins or to restore them in some markets where we have had a delay in passing on the higher raw material prices. At the same time, we will continue to do our utmost to provide the best service to our customers."

Figure 1: Summary of consolidated Income Statement

(in € million)	H1 2019	H1 2020	H1 2021	% yoy
Sales	**312,5**	**289,2**	**404,0**	***39,7%***
Gross profit	92,8	88,9	118,7	*33,5%*
Gross-margin (%)	*29,7%*	*30,7%*	*29,4%*	*-1,4pp*
EBITDA	29,4	26,4	48,3	*82,9%*
Adj. EBITDA	**30,2**	**27,8**	**51,0**	***83,4%***
Adj. EBITDA-margin (%)	*9,7%*	*9,6%*	*12,6%*	*+3,0pp*
EBIT	**9,3**	**6,0**	**29,3**	
Financial result	(11,1)	(9,3)	(5,2)	
EBT	(1,8)	(3,5)	24,1	
Income taxes	0,6	0,0	(3,5)	
Net profit / (loss)	**(1,2)**	**(3,4)**	**20,6**	

Figure 2: Summary of consolidated Balance Sheet

(in € million)	H1 2020	H1 2021	% yoy
Total assets	605,6	633,9	*4,7%*
Equity	248,0	259,8	*4,8%*
Net debt	118,4	97,0	*(18,1%)*
Capital expenditure	8,9	24,8	*177,5%*
Working capital	88,8	120,8	*36,0%*

Figure 3: Sales evolution by region

(in € million)	H1 2020	Volume	FX	Mix/Price	H1 2021	% yoy
Europe	147,0	33,2%	-1,4%	4,9%	200,9	36,7%
North America	73,9	20,0%	-11,4%	14,3%	90,7	22,8%
Turkey & EM	68,4	38,1%	-50,8%	77,0%	112,3	64,3%
Total	**289,2**	**31,5%**	**-15,7%**	**23,8%**	**404,0**	**39,7%**

Management comments

Sales

Consolidated sales over the first six months of 2021 amount to € 404.0m, representing an increase by 39.7% vs H1 2020 (€ 289.2m) and by 29.3% vs H1 2019 (€ 312.5m).

The main driver for this increase has been a very strong residential construction market in all regions, resulting in a volume growth at Group level by 31.5%. Renovation has benefited from leisure budgets and stimulus money being spent on home improvement while new built has benefited from the increased demand for single family homes. Also, the higher consumer confidence linked to the reopening of the economy and the progress of vaccination has supported our business.

Price increases implemented to mitigate the effect of higher raw material prices further drove sales higher as well. As PVC prices have increased month after month from mid-2020 until now, we have been forced on multiple occasions to adjust our selling prices. The speed at which we can do this differs from region to region, but on average it takes about three months before higher raw material prices are fully translated into higher selling prices.

Weaker currencies, mainly the Turkish lira and the US dollar, had an important negative effect on consolidated sales of (15.7)% or € (45.3)m.

Income statement

The **Adjusted EBITDA** over the first half of 2021 increased by € 23.2m to € 51.0m or 12.6% on sales (vs € 27.8m or 9.6% on sales in H1 2020 and vs € 30.2m or 9.7% on sales in H1 2019). This improvement, despite severe headwind from raw material price inflation, is primarily driven by the higher sales volumes, price increases and strict control of fixed costs.

In spite of multiple price increases throughout the first half of 2021, our **Gross Margin** has decreased from 30.7% in H1 2020 to 29.4% in H1 2021. This is mainly due to the inevitable delay in passing on higher raw material prices. Alongside price increases, also the higher operational efficiency as a result of both higher production volumes and the rationalization of our operational footprint in Europe have contributed to the resilience of our Gross Margin.

Depreciations slightly decreased from € 20.4m in H1 2020 to € 19.1m in H1 2021.

Adjusted EBITDA-items (difference between EBITDA and Adj. EBITDA) amount to € 2.7m (H1 2020: € 1.4m) and include mainly costs related to the transition to the iCOR platform.

As a consequence of the above, the **operational result (EBIT)** improved to € 29.3m from € 6.0m in H1 2020.

The **financial result** has improved from € (9.3)m in H1 2020 to € (5.2)m as a result of lower financial debt, lower use of trade finance solutions and a one-off positive FX effect of € 1.5m.

Net result for the first half of 2021 is a profit of € 20.6m versus a loss of € 3.4m in H1 2020. Earnings per share amount to € 0.15 (H1 2020: loss of € 0.03).

Cash Flow and Balance sheet

The **Net Financial Debt** has decreased from € 118.4m on 30/06/2020 to € 97.0m on 30/06/2021. As a result of this lower NFD and the higher LTM Adj. EBITDA (€ 109.3m LTM to 30/06/2021 vs € 58.3m LTM to 30/06/2020), the leverage of the Group has decreased from 2.0x to 0.9x.

Capex amounted to € 24.8m versus € 8.9m in H1 2020. The higher capex in H1 2021 is primarily explained by the purchase of a warehouse in Turkey and by capital expenditures to further support our strategic projects such as capacity expansion in recycling and the platform migration in Europe.

Working capital at € 120.8m on 30/06/2021 was € 32.0m higher than on 30/06/2020 (€ 88.8m) which is mainly due to higher trade receivables as a result of higher sales volumes.

Raw materials update

Since mid-2020 PVC prices have relentlessly increased to reach new record prices month after month in H1 2021. The major cause of this unprecedented price increase is a strong imbalance between supply and demand. Price increases of the feedstock components (mainly oil and ethylene) have only played a secondary role.

An abrupt decrease of PVC production in 2020 induced by Covid-19 followed by a strong acceleration of production in the beginning of 2021 caused several force majeures at the already limited number of PVC producers. The worldwide supply shortages as a result of this in combination with high demand from the construction sector and from China have pushed prices up.

For additives similar or even stronger price increases occurred. A worldwide supply shortage, caused by the winter storm in Texas (US) causing several force majeures upstream and by a lack of sea containers from Asia, created never seen price increases.

Although most of the force majeures at PVC producers have been lifted recently, we foresee further upward pressure on raw material prices, albeit more moderate than in the past twelve months. At best, raw material prices could stabilize at the current high levels.

Strategic projects

Our strategic projects remain on track. The commercial launch of our state-of-the-art window concept Elegant is ramping up fast in Western Europe and the transition in Central Europe from the former Inoutic-platform to the revolutionary modular iCor-system is gaining momentum as well.

As sustainability is a top priority for Deceuninck, we are happy to announce that we have hired an experienced full-time sustainability manager who will guide us to the next level in our sustainability trajectory. An important milestone has been the calculation, together with CO2logic (www.co2logic.com), of our carbon footprint. The results of this study are currently being analyzed and ambitious targets are being defined in order to lower our carbon footprint towards CO2-neutrality.

The additional investments in our recycling site in Diksmuide (BE) announced in our press release of 25 February 2021 are being implemented and are expected to be operational by the end of the year.

Outlook

We expect the strong performance of the residential construction market seen in the first half of the year to continue in the second. While the effect of leisure budgets and stimulus money being spent on home improvement might decrease next year, we expect that the EU Green Deal will gradually boost the renovation wave in Europe.

As raw material prices are expected to further increase, we will have to continue to adhere to a strict pricing discipline of translating higher raw material prices into higher selling prices.

In the long term, we continue to believe that PVC-windows, with their highest insulation values against the lowest carbon footprint, are part of the solution to address climate change by making buildings more energy-efficient. We therefore are convinced that our products can materially contribute to the ambitions set by the EU in their ‘Fit for 55’ climate plan to reduce CO2-emissions by 55% by 2030.

Annex 1: Consolidated Income Statement

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	H1 2020 Unaudited	H1 2021 Unaudited
SALES	**289.239**	**404.007**
Cost of goods sold	(200.341)	(285.355)
GROSS PROFIT	**88.897**	**118.652**
Marketing, sales and distribution expenses	(58.056)	(63.194)
Research and development expenses	(3.259)	(3.333)
Administrative and general expenses	(20.430)	(21.850)
Other net operating result	1.410	(1.011)
Share of the result of a joint venture	(2.564)	-
OPERATING PROFIT (EBIT)	**5.998**	**29.264**
Cost related to the derecognition of accounts receivable	(1.925)	(1.867)
Interest income / (expense)	(3.699)	(2.129)
Foreign exchange gains / (losses)	(3.725)	(1.180)
Other financial income / (expenses)	(91)	(58)
PROFIT / (LOSS) BEFORE TAXES (EBT)	**(3.443)**	**24.031**
Income taxes	26	(3.466)
NET PROFIT / (LOSS)	**(3.417)**	**20.565**

THE NET PROFIT / (LOSS) IS ATTRIBUTABLE TO (in € thousand)	H1 2020	H1 2021
Shareholders of the parent company	(3.563)	19.124
Non-controlling interests	146	1.441

EARNINGS PER SHARE DISTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY (in €)	H1 2020	H1 2021
Basic earnings per share	(0,03)	0,15
Diluted earnings per share	(0,03)	0,14

Annex 2: Consolidated statement of financial position

(in € thousand)	31 December 2020 Audited	30 June 2021 Unaudited
Assets		
Intangible fixed assets	2.252	1.985
Goodwill	10.601	10.591
Tangible fixed assets	254.274	256.957
Financial fixed assets	9	9
Investment in a joint venture	0	0
Deferred tax assets	5.174	7.808
Long-term receivables	829	890
Non-current assets	**273.139**	**278.241**
Inventories	112.907	160.488
Trade receivables	69.301	96.771
Other receivables	37.159	44.940
Cash and cash equivalents	105.623	52.161
Fixed assets held for sale	1.244	1.279
Current assets	**326.235**	**355.638**
Total assets	**599.373**	**633.879**

Equity and liabilities		
Issued capital	53.950	54.396
Share premiums	88.310	89.983
Retained earnings	228.334	241.187
Remeasurement of post employment benefit obligations	(7.409)	(6.115)
Treasury shares	(75)	(75)
Currency translation adjustments	(123.764)	(126.673)
Equity excluding non-controlling interest	**239.348**	**252.704**
Non-controlling interest	6.937	7.086
Equity including non-controlling interest	**246.284**	**259.790**
Interest-bearing loans including lease liabilities	137.022	123.383
Other long term liabilities	676	1.158
Employee benefit obligations	22.305	20.753
Long term provisions	3.485	3.320
Deferred tax liabilities	1.788	2.991
Non-current liabilities	**165.275**	**151.604**
Interest-bearing loans including lease liabilities	24.069	25.820
Trade payables	107.963	136.452
Tax liabilities	8.275	11.118
Employee related liabilities*	14.422	14.581
Employee benefit obligations	1.158	905
Short-term provisions	3.212	660
Other liabilities	28.715	32.949
Current liabilities	**187.815**	**222.484**
Total equity and liabilities	**599.373**	**633.879**

* Employee related liabilities are short-term liabilities and consist mainly of salaries, bonuses and holiday payments.

Annex 3: Consolidated statement of Cash Flows

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	H1 2020 Unaudited	H1 2021 Unaudited
Profit (+) / loss (-)	(3.417)	20.565
Depreciations & impairments	20.440	19.090
Net financial charges	9.441	5.169
Income taxes	(26)	3.466
Inventory write-off (+ = cost / - = inc)	3.112	(391)
Trade AR write-off (+ = cost / - = inc)	5.425	2.812
Movements in provisions (+ = cost / - = inc)	(1.808)	(740)
Gain / loss on disposal of (in)tang. FA (+ = cost / - = inc)	(55)	(70)
Fair value adjustments in equity	-	292
Fair value adjustments of investment in a joint venture (equity method)	2.564	-
GROSS OPERATING CASH FLOW	**35.676**	**50.193**
Decr / (incr) in inventories	(13.345)	(50.079)
Decr / (incr) in trade AR	3.041	(35.140)
Incr / (decr) in trade AP	1.346	32.196
Decr / (incr) in other operating assets/liabilities	8.744	(5.086)
Income taxes paid (-) / received (+)	106	(2.650)
CASH FLOW FROM OPERATING ACTIVITIES	**35.568**	**(10.566)**
Purchases of (in)tangible FA (-)	(8.949)	(24.831)
Proceeds from sale of (in)tangible FA (+)	1.651	314
Proceeds from sale of financial FA (+)	97	506
CASH FLOW FROM INVESTMENT ACTIVITIES	**(7.201)**	**(24.011)**
Capital increase (+) / decrease (-)	458	2.119
Dividends paid (-) / received (+)	(141)	(6.905)
Interest received (+)	999	1.491
Interest paid (-)	(2.955)	(1.552)
Net financial result, excl interest	987	(3.366)
New long-term debts	10.800	10.801
Repayment of long-term debts	(12.719)	(15.774)
New short-term debts	50.198	7.217
Repayment of short-term debts	(9.487)	(11.863)
CASH FLOW FROM FINANCING ACTIVITIES	**38.140**	**(17.833)**

Net increase / (decrease) in cash and cash equivalents	**66.507**	**(52.410)**
Cash and cash equivalents as per beginning of period	52.799	105.623
Impact of exchange rate fluctuations	(4.619)	(1.052)
Cash and cash equivalents as per end of period	**114.687**	**52.161**

Financial calendar

17 August 2021	Half year results 2021
7 September 2021	Roadshow Kepler Cheuvreux

Glossary

1 **EBITDA**

EBITDA is defined as operating profit / (loss) adjusted for depreciation / amortizations and impairment of fixed assets.

	June 2020	**June 2021**
Operating profit	5.998	29.264
Depreciations & impairments	(20.440)	(19.050)
EBITDA	**26.438**	**48.314**

2 **Adjusted EBITDA**

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.

	June 2020	**June 2021**
EBITDA	26.438	48.314
Integration & restructuring expenses	105	2.706
Impairment of assets arising from goodwill allocation	1.289	(-)
Adjusted EBITDA	**27.832**	**51.019**

3 **EBIT**

EBIT is defined as Earnings before interests and taxes (operational result).

	June 2020	**June 2021**
EBITDA	26,438	48,314
Depreciations & impairments	(20,440)	(19,050)
EBIT	**5,998**	**29,264**

4 **EBT**

EBT is defined as Earnings before taxes.

5 **EPS (non-diluted)**

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

6 **EPS (diluted)**

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

7 **Net debt**

Net debt is defined as the sum of current and non-current interest-bearing borrowings (including leasing) minus cash and cash equivalents

	June 2020	**June 2021**
Interest-bearing borrowings –current	89,727	25,820
Interest-bearing borrowings – non-current	143,399	123,383
Cash and cash equivalents	(114,687)	(52,161)
Net debt	**118,439**	**97,042**

<table>
<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>June 2020</th><th>June 2021</th></tr>
<tr><td>Trade receivables</td><td>64,592</td><td>96,771</td></tr>
<tr><td>Inventory</td><td>114,385</td><td>160,488</td></tr>
<tr><td>Trade payables</td><td>(90,179)</td><td>(136,458)</td></tr>
<tr><td>Working capital</td><td>88,798</td><td>120,806</td></tr>
</table></td></tr>
<tr><td>9</td><td>Capital employed (CE)</td><td>The sum of non-current assets and working capital
<table>
<tr><th></th><th>June 2020</th><th>June 2021</th></tr>
<tr><td>Working capital</td><td>88,798</td><td>120,806</td></tr>
<tr><td>Non-current assets</td><td>290,291</td><td>278,240</td></tr>
<tr><td>Capital employed (CE)</td><td>379,089</td><td>399,046</td></tr>
</table></td></tr>
<tr><td>10</td><td>Subsidiaries</td><td>Companies in which the Group owns a participation in excess of 50 % or companies over which the Group has control</td></tr>
<tr><td>11</td><td>MTM</td><td>Mark-to-Market</td></tr>
<tr><td>12</td><td>Headcount (FTE)</td><td>Total Full Time Equivalents including temporary and external staff</td></tr>
<tr><td>13</td><td>Restricted Group</td><td>The Restricted Group consists of all entities of the Group excluding Turkish subsidiaries and their subsidiaries.</td></tr>
<tr><td>14</td><td>Leverage</td><td>Leverage is defined as the ratio of Net debt to LTM (Last Twelve Months) Adjusted EBITDA
<table>
<tr><th></th><th>June 2020</th><th>June 2021</th></tr>
<tr><td>Net debt</td><td>118,438</td><td>97,042</td></tr>
<tr><td>LTM Adjusted EBITDA</td><td>58,298</td><td>109,260</td></tr>
<tr><td>Leverage</td><td>2.03</td><td>0.89</td></tr>
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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 15 vertically integrated manufacturing facilities, which together with 21 warehousing and distribution facilities guarantee the necessary service and response time to Customers. Deceuninck strongly focuses on innovation, ecology and design. Deceuninck is listed on Euronext Brussels ("DECB").

Contact Deceuninck: Bert Castel • T +32 51 239 204 • bert.castel@deceuninck.com