Press Release | H1 2022 Financial Results

Regulated Information
Wednesday 17 August 2022 at 7:00h CET

Record Sales and solid EBITDA

Firm commitment to reduce CO2 emissions by 60% by 2030

Sales	Adj. EBITDA	Net Result	Net Debt
€ 506.8m	**€ 57.8m**	**€ 7.5m**	**€ 121.2m**
(€ 404.0m LY)	(€ 51.0m LY)	(€ 20.6m LY)	(€ 97.0m LY)

Executive Summary

- In order to improve the comparability of our results, the comments in this press release will refer to our pro forma results H1 2022 *before* application of hyperinflation accounting to the consolidation of the Turkish subsidiaries, unless explicitly stated otherwise.
- Sales in H1 2022 rose by 21.0% to reach a new record of € 488.7m, mainly driven by price increases to mitigate the effect of higher raw material prices and other cost inflation.
- Volumes decreased by 6.1% compared to last year as a result of the collapse of the Russian market, the difficult economic environment in Turkey and a slowdown of the residential construction activity in all regions towards the end of the semester.
- Adj. EBITDA in H1 2022 increased to € 56.8m (+11.2% vs H1 2021) driven by price increases to offset higher raw material prices and inflation. The Adj. EBITDA-margin amounted to 11.6%, compared to 12.6% in H1 2021 and to 10.8% in H2 2021.
- Net income decreased from € 20.6m in H1 2021 to € 18.2m in H1 2022. The main reason for this decrease is the full impairment of Deceuninck's property, plant and equipment in Russia (€ 7.5m) reflecting the uncertainty of the future business in Russia.
- Deceuninck has committed itself to reducing its own CO2-emissions by 60% by 2030.
- Half year report available at www.deceuninck.com/investors

Quote of the CEO, Bruno Humblet

"Despite the further increase of raw material prices, occasional disruptions in the supply chain and a difficult economic environment in most of our end markets, we have been able to increase our sales and Adj. EBITDA to new records. At the same time, we have made important progress in restoring our operational efficiency, especially in the US where this resulted in better profitability compared to H2 last year. Further efforts are required to improve service levels towards our customers while additional price increases might be needed to offset inflation on energy and labour costs.

Deceuninck has committed itself to reducing its own CO2 emissions by 60% by 2030[1]. With this ambitious Science Based Target, Deceuninck goes beyond the call of duty and claims a leadership role. We have an important role to play as our products significantly improve insulation of houses and buildings. Moreover, they can be recycled in an environmentally friendly manner. We therefore are part of the solution to reduce CO2 emissions globally and we will continue to invest to further increase the impact we can make."

Implementation of IAS 29: Financial Reporting in Hyperinflationary Economies

- As cumulative inflation in Turkey over the last three years has exceeded 100%, IAS 29 ('Financial Reporting in Hyperinflationary Economies') has been applied to the consolidation of the Turkish subsidiaries.
- The application of IAS 29 has resulted in a negative accounting impact on Deceuninck's net result of € (10.7)m, which has been more than offset by a positive adjustment for IAS 29 of € 44.8m in equity.
- The impact on other lines of the income statement has been calculated as follows: Sales € +18.1m, EBIT € (1.2)m and Adj. EBITDA € +1.0m.
- The implementation of IAS 29 has no cash impact.

Summary of consolidated Income Statement

	Before IAS 29			Impact IAS 29	After IAS 29
(in € milion)	**H1 2021**	**H1 2022**	***% y-o-y***		**H1 2022**
Sales	**404,0**	**488,7**	***21,0%***	**+18,1**	**506,8**
Gross profit	118,7	138,7	*16,9%*	+1,2	139,9
Gross-margin (%)	*29,4%*	*28,4%*	*-1,0 pps*	*-0,8 pps*	*27,6%*
EBITDA	48,3	53,8	*11,3%*	+1,0	54,8
Adj. EBITDA	**51,0**	**56,8**	***11,2%***	**+1,0**	**57,8**
Adj. EBITDA-margin (%)	*12,6%*	*11,6%*	*-1,0 pps*	*-0,2 pps*	*11,4%*
EBIT	**29,3**	**27,3**	***(6,6%)***	**(1,2)**	**26,1**
Financial result	(5,2)	(4,2)	*(19,8%)*	(7,9)	(12,1)
Profit / (loss) before taxes (EBT)	24,0	23,1	*(3,7%)*	(9,1)	14,0
Income taxes	(3,5)	(4,9)	*41,7%*	(1,6)	(6,5)
Net profit / (loss)	**20,6**	**18,2**	***(11,4%)***	**(10,7)**	**7,5**

[1] European Commission targets a reduction by 55% by 2030.

Summary of consolidated Balance Sheet

	Before IAS 29			Impact IAS 29	After IAS 29
(in € milion)	**H1 2021**	**H1 2022**	***%y-o-y***		**H1 2022**
Total Assets	633,9	689,3	*8,7%*	+55,0	744,3
Equity	259,8	275,6	*6,1%*	+44,8	320,4
Net Debt	97,0	121,2	*24,9%*	+0,0	121,2
Capital expenditure	24,8	16,9	*(31,9%)*	+0,0	16,9
Working capital	120,8	160,9	*33,2%*	+0,0	160,9

Sales evolution by region

(in € milion)	**H1 2021**	**Volume**	**FX**	**Other**	**H1 2022**	***%y-o-y***
Europe	201,0	-6,5%	0,7%	26,2%	241,9	*20,4%*
North America	90,7	-3,8%	12,4%	23,4%	119,7	*31,9%*
Turkey & EM	112,3	-6,9%	-68,5%	88,6%	127,0	*13,1%*
Total	**404,0**	**-6,1%**	**-15,9%**	**42,9%**	**488,7**	***21,0%***

Management comments

Business environment

In **Europe**, overall demand from the residential construction market has remained strong, although we have seen a slowdown towards the end of the second quarter due to the expensive building materials and uncertainty in the market. Lower volumes in Europe are mainly due to the collapse of the Russian market. For prudency reasons we fully impaired the Russian assets. Higher volumes in Western Europe have compensated for lower volumes in Central and Eastern Europe.

In **North America**, some softening in single-family house new construction took place during the first half year, with multi-family and renovation activity holding steady. Lower volumes in the US are mainly the result of deliberately stepping away from selected business in order to create operational headroom, allowing a better service towards key customers.

In **Turkey**, high inflation has been weighing on consumer confidence causing a downturn of the construction activity. Yet, thanks to our strong brands and market position, we have been able to limit volume losses and to further grow our market share. On a much smaller scale, volumes in Emerging Markets have shown a healthy growth, especially in Chile and Colombia.

The supply chain situation has gradually improved, although there have still been occasional shortages. Prices of raw materials have continued to rise, as have energy and transport prices. The labor market has remained tight, making it difficult for all players in the value chain to find enough people to meet demand. Nevertheless, labor retention in the US has improved significantly over the last six months.

Income Statement[2]

Consolidated **sales** in H1 2022 increased to a new record of € 488.7m, up 21.0% from € 404.0m in H1 2021, with price increases to compensate for higher raw material prices and for cost inflation as the main driver.

The **Adj. EBITDA** for the first half year increased to € 56.8m (+11.2% vs H1 2021).

The Adj. EBITDA-margin in H1 2022 was 11.6%, which is 1.0 percentage point lower than in H1 2021 (12.6%), but 0.8 percentage points higher than the Adj. EBITDA-margin of 10.8% in H2 2021. The drivers for this (partial) margin recovery (vs H2 2021) are a catch up of price increases to compensate for increased raw materials prices and inflation and improved productivity in the US. Supply chain issues, such as shortages of black foils, lack of metal containers to transport our PVC-profiles to our customers and the still tight labour market, have continued to weigh on our operational efficiency, curbing further margin recovery.

Adj. EBITDA-items (difference between EBITDA and Adj. EBITDA) amount to € 3.0m (vs € 2.7m in H1 2021) and include mainly costs related to the transition to Elegant.

The **financial result** improved from € (5.2)m in H1 2021 to € (4.2)m in H1 2022 mainly thanks to one-off FX-gains.

Depreciations and amortizations increased from € 19.1m in H1 2021 to € 26.4m in H1 2022, mainly as a result of the impairment of property, plant and equipment in Russia for an amount of € 7.5m.

Despite lower Earnings before taxes, Income taxes have risen from € (3.5)m in H1 2021 to € (4.9)m in H1 2022. The reason for this is that the lower Earnings before taxes are the result of the impairment of fixed assets in Russia, which is not tax deductible.

As a result of the above, **net profit** decreased from € 20.6m in H1 2021 to € 18.2m in H1 2022 and Earnings per Share decreased from € 0.15 to € 0.12.

Cash Flow and Balance sheet[3]

Capex amounted to € 16.9m in H1 2022 compared to € 24.8m in H1 2021. Alongside recurring capex for maintenance and replacement of extrusion tools, H1 2022 capex includes (amongst other) expenditures for recycling and for the further completion of the new Elegant series. Note that capex in H1 2021 included the purchase of a warehouse in Turkey for about € 10m.

The **Net Financial Debt** increased from € 97.0m on 30 June 2021 to € 121.2m on 30 June 2022, causing leverage to increase from 0.9x to 1.2x.

The main reason for the higher Net Financial Debt is inflationary pressure on **working capital**: higher raw material prices have increased inventory value while higher selling prices have increased outstanding receivables. In addition, inventory levels in Europe are higher than normal because of the transition to Elegant. As a result of the foregoing, working capital on sales has increased from 15.9% on 30 June 2021 to 17.4% on 30 June 2022.

[2] Comments refer to the pro forma financial results before implementation of IAS 29 - *Financial Reporting in Hyperinflationary Economies.*
[3] Comments refer to the pro forma financial results before implementation of IAS 29 - *Financial Reporting in Hyperinflationary Economies.*

Sustainability

Consistent with its ambition to take a leadership role in reducing CO2-emissions globally, Deceuninck will go beyond the call of duty and has committed itself to reducing its direct CO2-emissions by 60% by 2030 by signing the SBTi[4]-commitment letter on 19 January 2022. Considering the expected growth of our business, this means a reduction of up to 75% of CO2 emissions for each ton produced.

As sustainability is at the heart of our mission, we adhere to a circular economy strategy. Therefore, we will further invest in our high-tech recycling facility in Diksmuide, in the increased use of recycled material in our products and in lowering the ecological footprint of our operations.

Our products directly contribute to energy-savings in houses and buildings around the world and they minimize the environmental impact throughout their lifetime thanks to the recyclability of the material which is done in an environmentally friendly manner. Therefore, we are part of the solution to address climate change.

Outlook

Despite the long-term growth trends for our business (EU Green Deal, growing population demanding more and better housing) remaining intact, the economic environment for the second half year is very uncertain. It is unclear whether the slowdown seen towards the end of the second quarter and continuing in the third will be temporary or rather protracted.

In Europe, we expect the high energy prices and the EU Green Deal to support renovation activity, while larger new build projects might be delayed due to the high raw material prices. The transition to the Elegant line up will be further rolled out and is estimated to take another 24 to 36 months. Although the supply chain situation has clearly improved, occasional shortages cannot be ruled out.

Lower demand in the US related to an economic slowdown will impact volumes in H2. The margin impact of lower demand should be offset by further operational efficiency improvements.

We are cautious about the short-term development of our business in Turkey because of inflation and its impact on consumer confidence. Demand will remain volatile in the months ahead, but we trust we will be able to continue our profitable growth path.

Announcement new Board Member

We are pleased to announce that the Board will propose to the next General Meeting of the company to appoint Mrs Laure Baert as independent board member.

Mrs. Baert (30 years) holds a master Business Engineering (KUL, IESEG and Solvay Brussels School of Economics and Management, 2015). Since 2021 she works as Digital Transformation Lead at Roche BeLux. Before she held positions at Deloitte (2018-2021) as Senior Consultant Organization Transformation and at BTS (2015-2017) as Strategy Implementation Consultant.

In the meantime Mrs. Baert will attend the board meetings as observer.

[4] Science Based Targets initiative (Ambitious corporate climate action - Science Based Targets)

Annex 1: Consolidated Income Statement[5]

(in € milion)	H1 2021	H1 2022
Sales	**404,0**	**506,8**
Cost of goods sold	(285,4)	(366,9)
Gross profit	**118,7**	**139,9**
Marketing, sales and distribution expenses	(63,2)	(76,9)
Research and development expenses	(3,3)	(3,3)
Administrative and general expenses	(21,8)	(26,3)
Other net operating result	(1,0)	(7,3)
Share of the result of a joint venture	0,0	0,0
Operating profit (EBIT)	**29,3**	**26,1**
Costs related to the derecognition of accounts receivable	(1,9)	(1,1)
Interest income (expense)	(2,1)	(2,3)
Foreign exchange gains (losses)	(1,2)	(0,0)
Other financial income (expense)	(0,1)	(1,0)
Monetary gains (losses)	0,0	(7,7)
Profit / (loss) before taxes (EBT)	**24,0**	**14,0**
Income taxes	(3,5)	(6,5)
Net profit / (loss)	**20,6**	**7,5**
Adj. EBITDA	**51,0**	**57,8**

EARNINGS PER SHARE DISTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY (in €):	H1 2021	H1 2022
Basic earnings per share	0,15	0,05
Diluted earnings per share	0,14	0,04

[5] After implementation of IAS 29

Annex 2: Consolidated statement of financial position[6]

(in € milion)	H1 2021	H1 2022
Assets		
Intangible fixed assets	1,8	5,5
Goodw ill	10,6	10,6
Tangible fixed assets	246,8	300,5
Financial fixed assets	0,0	0,0
Investment in a joint venture	0,0	0,0
Deferred tax assets	9,8	9,4
Long-term receivables	1,5	1,1
Non-current assets	**270,6**	**327,1**
Inventories	169,6	221,3
Trade receivables	90,8	94,2
Other receivables	70,0	56,3
Cash and cash equivalents	72,9	44,3
Non-current assets held for sale	1,3	1,2
Current assets	**404,5**	**417,2**
Total Assets	**675,1**	**744,3**
Equity and liabilities		
Issued capital	54,4	54,5
Share premiums	90,2	90,5
Retained earnings	256,3	171,9
Remeasurements of post employment benefit obligations	(5,7)	(1,6)
Treasury shares	(0,1)	(0,1)
Currency translation adjustments	(142,4)	(7,1)
Equity excluding non-controlling interests	**252,7**	**308,1**
Non-controlling interests	6,2	12,3
Equity including non-controlling interests	**258,9**	**320,4**
Interest-bearing loans including lease liabilities	13,0	17,4
Other long-term liabilities	0,6	0,6
Employee benefit obligations	18,8	13,8
Long-term provisions	3,3	3,9
Deferred tax liabilities	1,5	10,7
Non-current liabilities	**37,2**	**46,4**
Interest-bearing loans including lease liabilities	121,8	148,1
Trade payables	176,0	154,5
Tax liabilities	6,4	10,2
Employee related liabilities	15,4	17,8
Employee benefit obligations	1,2	0,6
Short-term provisions	0,2	0,1
Other liabilities	57,9	46,1
Current liabilities	**379,0**	**377,4**
Total equity and liabilities	**675,1**	**744,3**

[6] After implementation of IAS 29

Annex 3: Consolidated statement of Cash Flows[7]

(in € milion)	H1 2021	H1 2022
Profit (+) / loss (-)	20,6	7,5
Depreciations and impairments	19,1	28,7
Net financial charges	5,2	12,1
Income taxes	3,5	6,5
Inventory write-off (+ = cost / - = inc)	(0,4)	1,1
Trade AR write-off (+ = cost / - = inc)	2,8	0,9
Movements in provisions (+ = cost / - = inc)	(0,7)	2,0
Gain / loss on disposal of (in)tang. FA (+ = cost / - = inc)	(0,1)	(0,1)
Fair value adjustments in equity	0,3	0,2
Share of the result of a joint venture	0,0	0,0
GROSS OPERATING CASH FLOW	**50,2**	**59,0**
Decr / (incr) in inventories	(50,1)	(47,1)
Decr / (incr) in trade AR	(35,1)	(7,8)
Incr / (decr) in trade AP	32,2	(9,6)
Decr / (incr) in other operating assets/liabilities	(5,1)	3,4
Income taxes paid (-) / received (+)	(2,6)	(5,6)
CASH FLOW FROM OPERATING ACTIVITIES	**(10,6)**	**(7,7)**
Purchases of (in)tangible FA (-)	(24,8)	(16,9)
Investment in financial FA (+)	0,0	0,0
Proceeds from sale of (in)tangible FA (+)	0,3	0,5
Proceeds from sale of shares of Group companies (+)	0,5	0,0
CASH FLOW FROM INVESTMENT ACTIVITIES	**(24,0)**	**(16,4)**
Capital increase (+) / decrease (-)	2,1	0,3
Dividends paid (-) / received (+)	(6,9)	(8,7)
Interest received (+)	1,5	1,0
Interest paid (-)	(1,6)	0,0
Net financial result, excl interest	(3,4)	(15,9)
New long-term debts	10,8	0,0
Repayment of long-term debts	(15,8)	(8,4)
New short-term debts	7,2	32,1
Repayment of short-term debts	(11,9)	(0,1)
CASH FLOW FROM FINANCING ACTIVITIES	**(17,8)**	**0,3**
Net increase / (decrease) in cash and cash equivalents	**(52,4)**	**(23,8)**
Cash and cash equivalents as per beginning of period	105,6	72,9
Impact of exchange rate fluctuations	(1,1)	(3,2)
Monetary losses on cash and cash equivalents	0,0	(1,6)
Transfers	0,0	0,0
Cash and cash equivalents as per end of period	**52,2**	**44,3**

[7] After implementation of IAS 29

Financial calendar

17 August 2022	Results H1 2022
3 0ctober 2022	Deceuninck @ De Belegger on Tour
24 November 2022	Roadshow Degroof Petercam - Paris

Glossary

EBITDA

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

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	2021	2022
Operating profit	29.264	26.099
Depreciations & impairments	(19.050)	(28.659)
EBITDA	**48.314**	**54.758**

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 goodw ill and impairment of assets resulting from goodw ill allocation.

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	2021	2022
EBITDA	48.314	54.758
Integration & restructuring expenses	2.706	3.015
Adjusted EBITDA	**51.019**	**57.773**

EBIT

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

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	2021	2022
EBITDA	48.314	54.758
Depreciations & impairments	(19.050)	(28.659)
EBIT	**29.264**	**26.099**

EBT

EBT is defined as Earnings before taxes.

EPS (non-diluted)

EPS (non-diluted) are the non-diluted earnings per share and is defined as Earnings attributable to ordinary shareholders over the w eighted average number of ordinary shares.

EPS (diluted)

EPS (diluted) are the diluted earnings per share and is defined as Earnings attributable to ordinary shareholders over the sum of w eighted average number of ordinary shares and the w eighted average number of ordinary shares w hich w ould be issued upon conversion into ordinary shares of all exercisable w arrants leading to dilution.

Net debt

Net debt is defined as the sum of current and non-current interest-bearing borrowings minus cash and cash equivalents.

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	2021	2022
Interest-bearing loans – non-current	25.820	17.447
Interest-bearing loans - current	123.383	148.081
Cash and cash equivalents	(52.161)	(44.284)
Net debt	**97.042**	**121.244**

Working capital

Working capital is calculated as the sum of trade receivables and inventories minus trade payables.

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	2021	2022
Trade receivables	96.771	94.165
Inventories	160.488	221.279
Trade payables	(136.458)	(154.501)
Working capital	**120.801**	**160.943**

Capital employed (CE)

The sum of non-current assets and working capital.

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	2021	2022
Working capital	120.801	160.943
Non-current assets	278.240	327.124
Capital employed (CE)	**399.041**	**488.067**

Subsidiaries

Companies in which the Group owns a participation in excess of 50 % or companies over which the Group has control.

MTM

Mark-to-Market.

Headcount (FTE)

Total Full Time Equivalents including temporary and external staff.

Restricted Group

The Restricted Group consists of all entities of the Group excluding Turkish subsidiaries and their subsidiaries.

Leverage

Leverage is defined as the ratio of Net debt to LTM (Last Twelve Months) Adjusted EBITDA.

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	2021	2022
Net debt	97.042	121.244
LTM Adjusted EBITDA	109.260	104.464
Leverage	**0,89**	**1,16**

End of press release

About Deceuninck

Founded in 1937, Deceuninck is a top 3 independent designer and 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 17 vertically integrated manufacturing facilities, which together with 16 sales and distribution facilities guarantee the necessary service and response time to Customers. Deceuninck strongly focuses on innovation, sustainability and reliability. Deceuninck is listed on Euronext Brussels ("DECB").

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