

2021

Q3

Report for the first
three quarters

1 January to 30 September

SURTECO

€ million	Q3			Q1-3		
	1/7/-30/9/ 2020	1/7/-30/9/ 2021	Δ %	1/1/-30/9/ 2020	1/1/-30/9/ 2021	Δ %
Sales revenues	162.2	188.3	+16	459.3	566.1	+23
of which						
- Germany	41.6	47.1	+13	125.1	147.0	+17
- Foreign	120.6	141.2	+17	334.2	419.1	+25
EBITDA	24.6	30.7	+25	59.9	90.6	+51
EBITDA margin in %	15.2	16.3		13.0	16.0	
EBIT	14.4	20.2	+41	28.8	59.1	+105
EBIT margin in %	8.9	10.7		6.3	10.4	
EBT	12.4	19.5	+57	27.1	56.4	+108
Consolidated net profit	8.9	13.7	+54	18.6	39.4	+112
Earnings per share in €	0.58	0.88	+54	1.20	2.54	+112
Number of shares	15,505,731	15,505,731		15,505,731	15,505,731	

	30/9/2020	30/9/2021	Δ %
Net financial debt in € million	154.5	155.1	-
Level of debt in %	43	38	-5 pts
Equity ratio in %	44.7	50.8	+6,1 pts
Number of employees	3,069	3,161	+3

	31/12/2020	30/9/2021	Δ %
Net financial debt in € million	144.7	155.1	+7
Level of debt in %	39	38	-1 pts
Equity ratio in %	46.7	50.8	+4,1 pts
Number of employees	3,052	3,161	+4

QUARTERLY RELEASE

SURTECO GROUP

January - September 2021

Business report

Sales and business performance

The good business performance of the SURTECO Group continued in the third quarter. Sales revenues of € 188.3 million remained at a high level in the months from July to September and on the back of an increase of 16 % were significantly above the year-earlier level of € 162.2 million. Accumulated over the course of the entire year, the sales revenues of the Group increased by 23 % to € 566.1 million after € 459.3 million in the previous year. Business in Germany went up by 17 % compared with the first three quarters of the previous year. In the rest of Europe (not including Germany), sales revenues rose by 25 % during this period, in North and South America by 27 % and in Asia, Australia and other geographical markets by 25 %.

DECORATIVES

Against the background of a positive business performance in key sales sectors such as the German wood-based industry, kitchen-furniture industry* and the office and shop-fittings industry, sales revenues in the Segment Decoratives rose significantly compared with the year-earlier period. Growth of 24 % to € 410.8 million (2020: € 331.0 million) also succeeded in surpassing the level prior to the coronavirus pandemic.

* Source: Federal Statistical Office. Sales development from January to July 2021 compared with previous year

PROFILES

Sales in the Segment Profiles increased by 32 % compared with the year-earlier figure during the first three quarters of 2021 and broke through the mark of € 100 million to achieve € 102.6 million (2020: € 77.9 million). This organic growth was essentially driven by the acquisition of new customers and sustained strong activity in the construction industry.

TECHNICALS

The Segment Technicals, which combines providers of specialized products in niche markets, succeeded in increasing its sales by 5 % to € 52.8 million (2020: € 50.4 million) during the months from January to September 2021.

Group results

The drastic increases in costs for the most important raw materials this year led to a rise in the cost of materials ratio (Cost of Materials / Total Output) to 48.9 % during the first three quarters of 2021 after 45.9 % in the previous year. The cost of materials amounted to € -283.3 million after € -208.7 million in 2020. Personnel expenses at € -130.7 million were also above the year-earlier value of € -122.0 million and the personnel expense ratio came down from 26.9 % in the previous year to 22.5 % in the first three quarters of 2021 owing to the strong increase in total output. Other operating expenses went up from the year-earlier value of € -67.0 million to € -79.5 million. As a function of total output, the ratio came down to 13.7 % (2020: 14.7 %). Earnings before financial result, income tax and depreciation and amortization (EBITDA) increased by 51 % during the first three quarters of 2021 to the current level of € 90.6 million (2020: € 59.9 million). In comparison with sales, the margin was 16.0 % after 13.0 % in the previous year. After deduction of depreciation and amortization in the amount of € -31.5 million (2020: € -31.1 million), earnings be-

fore financial result and income tax (EBIT) amounted to € 59.1 million (2020: € 28.8 million). The EBIT margin (EBIT/sales) increased to 10.4 % after 6.3 % in the previous year. Owing to a one-off effect arising from the sale of the shares in Canplast Mexico S.A. de. C.V in the previous year, the financial result at € -2.7 million during the first three quarters of 2021 was above the year-earlier value of € -1.7 million despite lower interest expenses. This therefore yielded a pre-tax result (EBT) of € 56.4 million (2020: € 27.1 million) and, taking account of income tax in the amount of € -17.0 million (2020: € -8.4 million), a consolidated net profit of € 39.4 million after € 18.6 million in the previous year. Earnings per share amounted to € 2.54 (2020: € 1.20) for an unchanged number of shares at 15.5 million no-par-value shares issued.

Result of the segments

The EBIT of all segments in the Group were significantly above the year-earlier values in the first three quarters of 2021. In the Segment Decoratives, EBIT increased from € 21.6 million in the previous year to € 50.7 million, in the Segment Profiles, it increased from € 8.1 million to € 10.4 million, and in the Segment Technicals from € 3.3 million to € 4.7 million.

Net assets, financial positions and results of operations

On 30 September 2021, the balance sheet total of the SURTECO Group came down slightly to € 797.2 million (year end 2020: € 798.8 million). This was due to several key factors. One factor was the repayment of a tranche from the promissory note loan in the amount of € 45 million while € 30 million were taken out at better conditions. A further factor was the

Abbreviated balance sheet of the SURTECO Group

€ million	31/12/ 2020	30/9/ 2021
ASSETS		
Current assets	310.6	312.2
Non-current assets	488.2	485.0
Balance sheet total	798.8	797.2
LIABILITIES		
Current liabilities	146.7	148.7
Non-current liabilities	278.8	243.6
Equity	373.3	404.9
Balance sheet total	798.8	797.2

scheduled repayment of a loan in the amount of € 15 million, whereas equity increased from € 373.3 million at year-end 2020 to € 404.9 million on 30 September 2021 owing to the favourable business performance. The equity ratio went up by 4.1 percentage points to the current percentage of 50.8 %. Non-current liabilities fell from € 278.8 million to € 243.6 million, essentially owing to the repayments. Current liabilities of € 148.7 million were slightly above the value at year-end 2020 (€ 146.7 million). On the assets side of the balance sheet, current assets increased slightly to € 312.2 million (31 December 2020: € 310.6 million) and non-current assets fell from € 488.2 million to € 485.0 million.

Net financial debt increased by 7 % to € 155.1 million compared with year-end 2020. Owing to the increased equity, the level of debt (net financial debt / equity) fell by one percentage point to 38 %. As a result of shutting down the factoring programme and stockpiling, the cash flow from current business activity amounted to € 29.5 million (2020: € 53.5 million) and free cash flow amounted to € 6.4 million (2020: € 27.4 million).

CALCULATION OF FREE CASH FLOW

€ million	1/1/-30/9/ 2020	1/1/-30/9/ 2021
Cash flow from current business operations	53.5	29.5
Acquisition of business	-3.8	0.0
Sale of companies	4.8	-0.2
Purchase of property, plant and equipment	-26.9	-21.5
Purchase of intangible assets	-1.6	-2.8
Proceeds from disposal of property, plant and equipment	0.9	1.3
Dividends received from investments accounted for using the equity method	0.5	0.0
Cash flow from investment activities	-26.1	-23.1
Free cash flow	27.4	6.4

Risk and Opportunity Report

The detailed description of the Risk Management System and the individual risk categories is provided in the Risk and Opportunities Report that forms part of the Annual Report 2020. Three new procurement risks with damage class 1 and probability class 4 and one procurement risk with damage class 3 and probability class 4 were identified compared with year-end 2020. Conversely, a procurement risk with damage class 3 and probability class 4 was removed, and a procurement risk with probability class 4 was downgraded from damage class 3 to 2. In turn, the overall opportunities have increased as a result of passing on the high cost of materials to the marketplace.

Overall risk assessments

The main risks for the SURTECO Group originate from the development of the sales and raw-materials markets. While demand continues to be at a high level, there are currently some extreme price rises and supply bottlenecks for the sourcing of raw materials. Passing on increases in the prices of raw materials is currently proving only partly possible and there are delays associated with this.

No risks are currently identifiable which could pose a threat to the continued existence of the company as a going concern.

Outlook for the Business Year 2021

In the third quarter of 2021, the impacts of the rising costs of raw materials were increasingly evident. It was only possible to pass on some costs and with a delay. Owing to the improved Group structures within the framework of the restructuring introduced at the end of 2019 and the buoyant demand, the company nevertheless continued to post gratifying business development that exceeded the original expectations.

Consequently, Group sales will significantly exceed the original target corridor of between € 650 million and € 675 million and they are likely to be between € 725 million and € 750 million. Group EBIT will also be above the original range of € 47 million to € 52 million and is expected to be between € 63 million and € 68 million.

Income Statement

€ 000s	Q3		Q1-3	
	1/7/-30/9/ 2020	1/7/- 30/9/ 2021	1/1/-30/9/ 2020	1/1/-30/9/ 2021
Sales revenues	162,215	188,273	459,300	566,147
Changes in inventories	-1,862	8,972	-8,384	10,870
Own work capitalized	972	945	3,281	2,775
Total output	161,325	198,190	454,197	579,792
Cost of materials	-75,743	-99,502	-208,685	-283,340
Personnel expenses	-39,268	-42,006	-122,032	-130,661
Other operating expenses	-22,845	-26,829	-66,990	-79,547
Other operating income	1,134	885	3,362	4,335
EBITDA	24,603	30,738	59,852	90,579
Depreciation and amortization	-10,233	-10,517	-31,075	-31,476
EBIT	14,370	20,221	28,777	59,103
Financial result	-1,964	-696	-1,723	-2,720
EBT	12,406	19,525	27,054	56,383
Income tax	-3,481	-5,803	-8,442	-16,958
Consolidated net profit	8,925	13,722	18,612	39,425
Basic and undiluted earnings per share in €	0.58	0.88	1.20	2.54
Number of shares	15,505,731	15,505,731	15,505,731	15,505,731

Consolidated Balance Sheet

€ 000s	31/12/2020	30/9/2021
Assets		
Cash and cash equivalents	133,466	70,270
Trade accounts receivable	53,794	91,261
Inventories	109,273	137,539
Current income tax assets	779	2,078
Other current non-financial assets	6,522	8,232
Other current financial assets	6,719	2,784
Current assets	310,553	312,164
Property, plant and equipment	236,215	243,066
Rights of use	35,552	26,728
Intangible assets	48,738	46,688
Goodwill	162,902	162,925
Financial assets	10	10
Other non-current non-financial assets	126	165
Other non-current financial assets	274	283
Deferred taxes	4,406	5,201
Non-current assets	488,223	485,066
	798,776	797,230

Consolidated Balance Sheet

€ 000s	31/12/2020	30/9/2021
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term financial liabilities	40,594	22,877
Trade accounts payable	63,423	70,729
Contractual liabilities in accordance with IFRS 15	4	4
Income tax liabilities	2,598	11,726
Short-term provisions	10,791	8,374
Other current non-financial liabilities	3,482	4,680
Other current financial liabilities	25,780	30,346
Current liabilities	146,672	148,736
Long-term financial liabilities	237,585	202,534
Pensions and other personnel-related obligations	13,245	13,389
Long-term provisions	449	450
Other non-current non-financial liabilities	147	184
Other non-current financial liabilities	0	39
Deferred taxes	27,349	27,014
Non-current liabilities	278,775	243,610
Capital stock	15,506	15,506
Capital reserve	122,755	122,755
Retained earnings	201,381	227,198
Consolidated net profit	33,687	39,425
Equity	373,329	404,884
	798,776	797,230

Consolidated Cash Flow Statement

€ 000s	Q1-3	
	1/1/-30/9/ 2020	1/1/- 30/9/ 2021
Earnings before income tax	27,054	56,383
Reconciliation of cash flow from current business operations	19,815	25,921
Internal financing	46,869	82,304
Changes in assets and liabilities (net)	6,648	-52,827
Cash flow from current business operations	53,517	29,477
Cash flow from investment activities	-26,073	-23,093
Cash flow from financial activities	15,957	-69,264
Change in cash and cash equivalents	43,401	-62,880
Cash and cash equivalents		
1 January	83,579	133,466
Effects of changes in the exchange rate on cash and cash equivalents	2,370	-316
30 September	129,350	70,270

Segment reporting

Sales revenues

€ 000s	Decoratives	Profiles	Technicals	Reconciliation	SURTECO Group
1/1/-30/9/2021					
External sales	410,764	102,625	52,758	0	566,147
Internal sales	11,808	1,465	3,931	-17,204	0
Total sales	422,572	104,090	56,689	-17,204	566,147
1/1/-30/9/2020					
External sales	331,044	77,862	50,394	0	459,300
Internal sales	11,255	1,274	2,193	-14,722	0
Total sales	342,299	79,136	52,587	-14,722	459,300

Segment earnings

€ 000s	Decoratives	Profiles	Technicals	Reconciliation	SURTECO Group
1/1/-30/9/2021					
EBIT	50,660	10,387	4,657	-6,601	59,103
1/1/-30/9/2020					
EBIT	21,640	8,142	3,272	-4,277	28,777

Segment reporting

By regional markets

Sales revenues SURTECO Group

€ 000s	1/1/-30/9/2020	1/1/- 30/9/2021
Germany	125,137	147,026
Rest of Europe	213,239	266,734
America	81,630	103,420
Asia, Australia, Others	39,294	48,967
	459,300	566,147

Sales revenues Decoratives

€ 000s	1/1/-30/9/2020	1/1/- 30/9/2021
Germany	69,805	81,521
Rest of Europe	144,119	179,990
America	81,217	103,149
Asia, Australia, Others	35,903	46,104
	331,044	410,764

Sales revenues Profiles

€ 000s	1/1/-30/9/2020	1/1/- 30/9/2021
Germany	43,609	54,833
Rest of Europe	33,578	47,179
America	81	28
Asia, Australia, Others	594	585
	77,862	102,625

Sales revenues Technicals

€ 000s	1/1/-30/9/2020	1/1/- 30/9/2021
Germany	11,723	10,672
Rest of Europe	35,542	39,565
America	332	243
Asia, Australia, Others	2,797	2,278
	50,394	52,758

Calculation of indicators

Cost of materials ratio in %	Cost of materials/Total output
Earnings per share in €	Consolidated net profit/Number of shares
EBIT	Earnings before financial result and income tax
EBIT margin in %	EBIT/Sales revenues
EBITDA	Earnings before financial result, income tax and depreciation and amortization
EBITDA margin in %	EBITDA/Sales revenues
Equity ratio in %	Equity/Total capital (= balance sheet total)
Level of debt (gearing) in %	Net debt/Equity
Market capitalization in €	Number of shares x Closing price on the balance sheet date
Net debt in €	Short-term financial liabilities + Long-term financial liabilities – Cash and cash equivalents
Personnel expense ratio in %	Personnel costs/Total output
Working capital in €	Trade accounts receivable + Inventories – Trade accounts payable

Q3

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