

2020

Q3

Report for the first
three quarters

1 January to 30 September 2020

SURTECO

€ million	Q3			Q1-3		
	1/7/-30/9/ 2019	1/7/-30/9/ 2020	Δ %	1/1/-30/9/ 2019	1/1/-30/9/ 2020	Δ %
Sales revenues	166.6	162.2	-3	519.3	459.3	-12
of which						
- Germany	41.6	41.6	0	130.1	125.1	-4
- Foreign	125.0	120.6	-3	389.2	334.2	-14
EBITDA	22.4	24.6	+10	64.6	59.9	-7
EBITDA margin in %	13.4	15.2		12.4	13.0	
EBIT	11.4	14.4	+26	31.6	28.8	-9
EBIT margin in %	6.8	8.9		6.1	6.3	
EBT	10.4	12.4	+19	28.0	27.1	-3
Consolidated net profit	6.8	8.9	+31	19.5	18.6	-4
Earnings per share in €	0.44	0.58	+31	1.26	1.20	-4
Number of shares	15,505,731	15,505,731		15,505,731	15,505,731	

	30/9/2019	30/9/2020	Δ %
Net financial debt in € million	190.5	154.5	-19
Level of debt in %	52	43	-9 pts.
Equity ratio in %	45.8	44.7	-1.1 pts.
Number of employees	3,167	3,069	-3

	31/12/2019	30/9/2020	Δ %
Net financial debt in € million	179.9	154.5	-14
Level of debt in %	51	43	-8 pts.
Equity ratio in %	45.4	44.7	-0.7 pts.
Number of employees	3,174	3,069	-3

QUARTERLY RELEASE

SURTECO GROUP

JANUARY – SEPTEMBER 2020

Business report

Sales and business performance

The second quarter of 2020 witnessed substantial falls in sales related to the impact of the coronavirus as a result of furniture stores being shut down across Europe. The business situation improved when furniture retail businesses opened up again, and catch-up effects were tangible as the year progressed. Consequently, Group sales at € 162.2 million in the third quarter of 2020 were only 3 % below the year-earlier period. In the months January to September 2020, the Group generated sales revenues amounting to € 459.3 million after € 519.3 million in the previous year, which corresponds to a fall of 12 %. Adjusted by negative exchange rate effects – essentially arising from the Brazilian real – and by the impregnating business in North America sold in July 2019, the fall in operating sales was 7 %.

Business in the domestic market came down by 4 % and in the rest of western Europe (not including Germany) by 12 % compared with the first three quarters of 2019. In North and South America, business fell by 23 %, and adjusted by foreign exchange-rate effects and the sold impregnating business eased by 2 %. In Asia, Australia and other geographical markets, sales were 6 % below the previous year.

Decoratives

The impacts of the Covid-19 pandemic continued to exert the most profound effect on the Group's biggest segment. Particularly the markets in the United Kingdom, Italy and France were affected by tangibly reduced demand, although the position relaxed somewhat towards the end of the quarter. Insofar, sales for the segment in the third quarter were 7 % below the year-earlier value, following a minus of 29 % recorded in the second quarter. Accumulated sales in 2020 amounted to € 331.0 million after € 378.7 million in the previous year. Sales in decorative printing remained at 6 % below year-earlier values, sales in edgebandings fell by 10 % and sales in finish foils by 12 %. Sales of other products and commercial products came down by 29 % in the first three quarters.

Profiles

Owing to a good ongoing economic situation in the do-it-yourself sector, in construction and renovation, and in the caravan industry, the Segment Profiles succeeded in increasing sales by 19 % in the third quarter by comparison with the previous year. During the months of January to September, sales at € 77.9 million were 10 % above the year-earlier value of € 71.0 million. The driving force was in business with skirtings where sales were 16 % above the year-earlier values, while technical extrusions (profiles) remained at the year-earlier value in the first three quarters. An increase of 8 % was achieved with other products and commercial products.

Technicals

In the months from July to September, the Segment Technicals was able to stabilise its sales revenues. Positioned at -2 %, they were only slightly below the year-earlier level. In the months from January to September 2020, segment sales at € 50.4 million were 28 % below the value of € 69.6 million from 2019. However, the North American impregnating business disposed of in July 2019 needs to be taken into account in this context. Adjusted by the sold business, the operating performance fell by 4 %. Business in specialized finish foils eased by 2 % and in edgebandings for niche markets by 4 % compared with the year-earlier values. Sales with impregnates came down by 47 % on the back of divestment.

Group results

Owing to reduced sales and stock reduction, the total output of the Group was reduced during the first three quarters of 2020 by 13 % to € 454.2 million (2019: € 523.0 million). The cost of materials was reduced to € 208.7 million after € 254.2 million in the previous year with support from the purchase prices of the most important raw materials. The cost of materials ratio (Cost of Materials / Total Output) fell from 48.6 % in the previous year to 45.9 %. Personnel expenses amounted to € 122.0 million owing to the reduced personnel headcount and this was below the year-earlier value of € 133.2 million. Since total output underwent a greater fall, the personnel expense ratio (Personnel Expenses / Total Output) increased from 25.5 % to 26.9 %. If operating expenses of € 67.0 million (2019: € 74.7 million) and operating income of € 3.4 million

(previous year: € 3.9 million) are included, this yields earnings before financial result, income tax and depreciation and amortization (EBITDA) of € 59.9 million after € 64.6 million in the previous year. However, in comparison with sales the corresponding margin rose from 12.4 % in the previous year to the current level of 13.0 %. Depreciation and amortization at € 31.1 million was below the year-earlier level (€ 33.0 million). Hence, the Group generated an operating result (earnings before financial result and income tax, EBIT) of € 28.8 million in the first three quarters after € 31.6 million in the previous year. The EBIT margin (EBIT / Sales) rose from 6.1 % in the previous year to 6.3 %. Owing to the sale of the joint-venture shareholding in Canplast Mexico S.A. de C.V. in June 2020, the financial result at € -1.7 million made a tangible improvement compared with the previous year (€ -3.6 million). Insofar, earnings before income tax (EBT) at € 27.1 million was only slightly below the value from 2019 (€ 28.0 million). Deducting income tax amounting to € -8.4 million (2019: € -8.3 million) yields consolidated net profit of € 18.6 million after € 19.5 million in the previous year. On the basis of an unchanged number of shares at 15,505,731 no-par value shares, earnings per share amounted to € 1.20 in the months from January to September 2020 after € 1.26 in 2019.

Result of the segments

In the context of the drop in sales owing to the Covid-19 pandemic, the operating result of the Segment Decoratives came down from € 26.9 million in the previous year to € 21.6 million in the first three quarters of 2020.

Supported by the increased business activity, the Segment Profiles succeeded in increasing EBIT from € 7.9 million in the previous year to € 8.1 million. EBIT for the Segment Technicals was also above the value for the previous year. The operating result increased from € 1.7 million in the previous year to the current value of € 3.3 million essentially as a result of the improved cost structure owing to the sale of North American impregnating activities.

Net assets and financial position

Abbreviated balance sheet of the SURTECO Group

€ million	31/12/2019	30/9/2020
ASSETS		
Current assets	281.8	312.1
Non-current assets	498.5	489.0
Balance sheet total	780.3	801.1
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	123.4	152.0
Non-current liabilities	302.3	290.9
Equity	354.6	358.2
Balance sheet total	780.3	801.1

Compared with year-end 2019, the balance sheet total increased by 3 % to € 801.1 million as at 30 September 2020. The main cause for this is drawing on credit lines to safeguard liquidity during the coronavirus crisis. As a consequence, current assets increased from € 281.8 million at 31 December 2019 to € 312.1 million on the balance sheet date of the third quarter of 2020. Conversely, non-current assets came down from € 498.5 million to € 489.0 million in the context of depreciation and amortization and elimination of assets accounted for using the equity method as a result of the sale of Canplast Mexico S.A. de C.V. Owing to credit lines being drawn on, the liabilities side of the balance sheet witnessed current liabilities rise from € 123.4 million on 31 December 2019 to € 152.0 million on 30 September 2020, while non-current liabilities fell back from € 302.3 million to € 290.9 million on account of planned repayments. Equity at € 358.2 million was slightly above the value of € 354.6 million at year-end 2019. On account of the extended balance sheet total, the equity ratio came down from 45.4 % to 44.7 %.

On the basis of cash flow from current business activity amounting to € 53.5 million (2019: € 56.6 million), free cash flow amounted to € 27.4 million (2019: € 31.1 million) in the first three quarters of 2020.

Calculation of Free Cash flow

€ million	1/1/-30/9/ 2019	1/1/-30/9/ 2020
Cash flow from current business operations	56.6	53.5
Acquisition of business	0.0	-3.8
Sale of companies	0.0	4.8
Purchase of property, plant and equipment	-24.3	-26.9
Purchase of intangible assets	-1.8	-1.6
Gains / Losses from disposal of fixed assets	0.1	0.9
Share of profit of companies accounted for using the equity method	0.5	0.5
Cash flow from investment activities	-25.5	-26.1
Free cash flow	31.1	27.4

Risk and opportunities Report

The detailed description of the Risk Management System and of individual risk categories is provided in the Risk and opportunities Report in the Annual Report 2019. Compared with year-end 2019, an additional single risk with a damage class 1 and a probability class 2 was identified in the Segment Profiles for the last quarter of 2020 owing to the effects of the coronavirus pandemic. No additional single risk above the threshold of € 1.0 million was identified in the Segments Technicals and Decoratives.

Overall risk assessments

The main risks for the SURTECO Group originate from the development of the sales markets. Globally, these continue to be subject to uncertainties arising from the Covid-19 pandemic. Up to now, the SURTECO Group has been able to hold its own throughout the crisis. Consequently, the overall risk assessment has relaxed somewhat compared with the first half year of 2020. The Group believes that it is well positioned in relation to these risks and that it is provided with sufficient liquidity. At the present time, no risks are therefore identifiable that could represent a risk to the continuation of the Group as a going concern.

Outlook for the Business Year 2020

The third quarter went better than expected. However, the business losses suffered in the second quarter as a result of the Covid-19 pandemic can no longer be offset by the end of the year. The further course of business depends largely on the course of the pandemic.

Income Statement

€ 000s	Q3		Q1-3	
	1/7/-30/9/ 2019	1/7/-30/9/ 2020	1/1/-30/9/ 2019	1/1/-30/9/ 2020
Sales revenues	166,516	162,215	519,256	459,300
Changes in inventories	610	-1,862	-285	-8,384
Other own work capitalized	1,438	972	3,987	3,281
Total output	168,564	161,325	522,958	454,197
Cost of materials	-79,561	-75,743	-254,207	-208,685
Personnel expenses	-42,822	-39,268	-133,238	-122,032
Other operating expenses	-24,980	-22,845	-74,738	-66,990
Other operating income	1,176	1,134	3,871	3,362
EBITDA	22,377	24,603	64,646	59,852
Depreciation and amortization	-10,985	-10,233	-33,021	-31,075
EBIT	11,392	14,370	31,625	28,777
Financial result	-1,000	-1,964	-3,599	-1,723
EBT	10,392	12,406	28,026	27,054
Income tax	-3,500	-3,481	-8,321	-8,442
Net income	6,892	8,925	19,705	18,612
Of which:				
Owners of the parent (consolidated net profit)	6,806	8,925	19,469	18,612
Non-controlling interests	86	0	236	0
Basic and undiluted earnings per share in €	0.44	0.58	1.26	1.20
Number of shares	15,505,731	15,505,731	15,505,731	15,505,731

Consolidated Balance Sheet

€ 000s	31/12/2019	30/9/2020
ASSETS		
Cash and cash equivalents	83,579	129,350
Trade accounts receivable	52,630	65,681
Receivables from affiliated enterprises	172	43
Inventories	123,060	105,511
Current income tax assets	5,187	1,676
Other current non-financial assets	8,281	5,426
Other current financial assets	8,871	4,462
Current assets	281,780	312,149
Property, plant and equipment	236,875	237,261
Rights of use	31,473	29,009
Intangible assets	53,767	49,496
Goodwill	162,844	162,496
Assets accounted for using the equity method	2,516	0
Financial assets	30	30
Other non-current non-financial assets	81	120
Other non-current financial assets	2,188	2,258
Deferred taxes	8,771	8,312
Non-current assets	498,545	488,982
	780,325	801,131

Consolidated Balance Sheet

€ 000s	31/12/2019	30/9/2020
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term financial liabilities	8,928	42,458
Trade accounts payable	62,905	62,003
Contractual liabilities in accordance with IFRS 15	4	4
Liabilities to affiliated enterprises	0	110
Income tax liabilities	1,593	1,769
Short-term provisions	20,023	12,546
Other current non-financial liabilities	2,410	5,571
Other current financial liabilities	27,505	27,560
Current liabilities	123,368	152,021
Long-term financial liabilities	254,535	241,431
Pensions and other personnel-related obligations	13,765	13,897
Long-term provisions	126	493
Other non-current non-financial liabilities	113	85
Deferred taxes	33,785	35,010
Non-current liabilities	302,324	290,916
Capital stock	15,506	15,506
Capital reserve	122,755	122,755
Retained earnings	203,396	201,321
Consolidated net profit	9,428	18,612
Capital attributable to owners of the parent	351,085	358,194
Non-controlling interests	3,548	0
Equity	354,633	358,194
	780,325	801,131

Consolidated Cash Flow Statement

€ 000s	Q1-3	
	1/1/-30/9/2019	1/1/-30/9/2020
Earnings before income tax	28,026	27,054
Reconciliation of cash flow from current business operations	27,435	19,815
Internal financing	55,461	46,869
Changes in assets and liabilities (net)	1,170	6,648
Cash flow from current business operations	56,631	53,517
Cash flow from investment activities	-25,524	-26,073
Cash flow from financial activities	-77,950	15,957
Change in cash and cash equivalents	-46,843	43,401
Cash and cash equivalents		
1 January	120,954	83,579
Effects of changes in the exchange rate on cash and cash equivalents	-50	2,370
30 September	74,061	129,350

Segment reporting

Sales revenues

€ 000s	Decoratives	Profiles	Technicals	Reconciliation	SURTECO Group
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
1/1/-30/9/2019					
External sales	378,686	71,003	69,567	0	519,256
Internal sales	11,988	997	2,657	-15,642	0
Total sales	390,674	72,000	72,224	-15,642	519,256

Segment earnings

€ 000s	Decoratives	Profiles	Technicals	Reconciliation	SURTECO Group
1/1/-30/9/2020					
EBIT	21,640	8,142	3,272	-4,277	28,777
1/1/-30/9/2019					
EBIT	26,930	7,863	1,713	-4,881	31,625

Segment reporting

By regional markets

Sales revenues SURTECO Group

€ 000s	1/1/-30/9/2019	1/1/-30/9/2020
Germany	130,052	125,137
Rest of Europe	241,579	213,239
America	105,775	81,630
Asia, Australia, Others	41,850	39,294
	519,256	459,300

Sales revenues Decoratives

€ 000s	1/1/-30/9/2019	1/1/-30/9/2020
Germany	79,824	69,805
Rest of Europe	172,686	144,119
America	88,380	81,217
Asia, Australia, Others	37,796	35,903
	378,686	331,044

Sales revenues Profiles

€ 000s	1/1/-30/9/2019	1/1/-30/9/2020
Germany	37,982	43,609
Rest of Europe	32,219	33,578
America	196	81
Asia, Australia, Others	606	594
	71,003	77,862

Sales revenues Technicals

€ 000s	1/1/-30/9/2019	1/1/-30/9/2020
Germany	12,246	11,723
Rest of Europe	36,674	35,542
America	17,199	332
Asia, Australia, Others	3,448	2,797
	69,567	50,394

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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