Lenzing AG

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EANS-Adhoc: Lenzing AG / Record Results for the Lenzing Group

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Company Information

22.03.2012

-2 billion euro sales threshold surpassed for the first time
-Guidance met - proposed dividend of EUR 2.50/share
-Outlook for 2012 - mirror-inverted development compared to last year

The Lenzing Group continued its dynamic growth path of previous years by posting record results in 2011. Despite a significant weakening of the global fiber market in the second half of 2011, Lenzing once again achieved double-digit growth rates in sales and earnings, and surpassed the threshold of EUR 2 bn in consolidated sales for the first time in the company´s history. Operating margins also improved again from the already high level achieved in 2010 and set a new, absolute record.

Consolidated sales in the reporting year 2011 rose by 21.2% to EUR 2.14 bn, up from EUR 1.77 bn in the prior year. This dynamic sales growth can be attributed to higher average selling prices in its core fiber business, higher fiber shipment volumes, the first-time full-year consolidation of the pulp plant Biocel Paskov acquired in May 2010 as well as higher sales in all other business areas.

Consolidated EBITDA (earnings before interest, tax, depreciation and amortization) amounted to EUR 480.3 mn, a rise of 45.3% from the comparable figure of EUR 330.6 mn in the previous year. Earnings before interest and tax (EBIT) climbed by 56.9% to EUR 364.0 mn (2010: EUR 231.9 mn). The EBITDA and EBIT margins reached an all-time high in 2011 at 22.4% (2010: 18.7%) and 17.0% (2010: 13.1%) respectively.

"Our dynamic growth path and specialty strategy led by the fibers Lenzing Modal® and TENCEL® once again paid off in 2011. Whereas sales with standard viscose fibers increased by close to 20% year-on-year, we sold some 30% more TENCEL® fibers and close to 40% more Lenzing Modal® fibers than in the prior year", explains Lenzing Chief Executive Officer Peter Untersperger. The large-scale market success of these two specialty fibers enabled Lenzing to partially detach itself from the volatile market trends of 2011, according to CEO Untersperger.

Lenzing rigorously pressed ahead with its capacity expansion program in 2011. As a result, the annual nominal production capacity of the Lenzing Group rose by about 8%, from 710,000 tons of man-made cellulose fibers at the beginning of 2011 to 770,000 tons at the turn of the year 2011/12. Capital expenditures of the Lenzing Group totaled EUR 196.3 mn in the 2011 financial year, somewhat below the comparable prior-year figure of EUR 230.0 mn which had also included the acquisition costs for Biocel Paskov. This development was due to the postponement of investment projects as at the reporting date.

Despite the current level of investments, the net financial debt of the Lenzing Group was reduced by almost half, declining to EUR 159.1 mn at the end of 2011 from the previous year´s figure of EUR 307.2 mn. The cash flow still reached a level of EUR 113.4 mn despite the investments made. "With an adjusted equity ratio of close to 45% and a net financial debt comprising one-third of annual EBITDA, we are very well positioned financially. Lenzing is largely autonomous with respect to its ability to finance growth steps in the upcoming years, says Chief Financial Officer Thomas G. Winkler.

Full capacity utilization in the Segment Fibers

According to preliminary estimates, global fiber production rose by 4.1% to a new record level of 79.1 mn tons in 2011. The production of man-made cellulose fibers also reached an all-time high of 4.6 mn tons, up 4.2% from 2010.

The business development of the Segment Fibers in 2011 was characterized by strong demand for Lenzing fibers, which was fueled even more by record cotton prices in the first half of the year. The market for standard textile viscose fibers significantly cooled off in the second half of 2011, which did not impact fiber shipment volumes but affected selling prices. The specialty fibers Lenzing Modal® and TENCEL® as well as the nonwovens sector were hardly impacted by this development. Throughout the year Lenzing succeeded in raising average prices for all Lenzing fibers by close to 17% compared to the previous year, to EUR 2.22 per kilogram.

"All our fiber production facilities were running at full capacity throughout the entire year. The additional fiber volumes generated in the course of the year by the second expansion stage of the plant in Nanjing (China), the capacity expansion for Lenzing Modal® fibers produced at the Lenzing site and TENCEL® fibers manufactured at the Heiligenkreuz (Burgenland) facility were very successfully placed on the market", reports Chief Operating Officer Friedrich Weninger, Member of the Management Board.

The pulp plant Biocel Paskov (Czech Republic) acquired within the context of the Lenzing Group´s further backward integration was rapidly expanded in the reporting year to enable the production of both paper pulp and dissolving pulp. Some 60,000 tons of dissolving pulp were already produced in Paskov in 2011 and largely used for fiber production within the Lenzing Group.

Good development of the Segment Plastics Products and Segment Engineering

The Segment Plastics Products developed satisfactorily in 2011, showing an EBITDA margin of 9.5%. A new record for shipment volumes was posted during the year under review against the backdrop of very good demand.

The Segment Engineering was also able to optimally take advantage of the fundamentally positive mood in the capital goods market during the reporting year, achieving an EBITDA-margin of 8.4%. Lenzing Technik profited from both the extensive investment activity of the Lenzing Group as well as from growing demand on the part of external customers.

Outlook of the Lenzing Group

Once again the Lenzing Group expects a good year in 2012, which should see quarterly development in a mirror-inverted manner. However, in terms of margins the current financial year will not be able to fully match the exceptional record year of 2011.

For the time being prices for Lenzing´s standard viscose fibers should stabilize at a low level. In the course of 2012 Lenzing anticipates a higher price level than in the first quarter as a result of rising demand for both textile and nonwoven applications.

Good volume demand is expected for Lenzing Modal®, which should continue to ensure a fair price premium vis-à-vis standard viscose fibers and cotton. However, the considerable increase in the supply of modal is resulting in temporary price adjustments compared to 2011 price levels. With respect to TENCEL®, Lenzing foresees ongoing strong demand for textile and nonwoven applications and a largely stable price premium vis-à-vis standard viscose fibers.

As a consequence of significantly higher fiber shipment volumes but in the light of lower average prices in comparison to the prior-year level, sales should rise to a level between EUR 2.2 bn and EUR 2.3 bn in 2012. EBITDA should range between EUR 400 mn and EUR 480 mn and EBIT is expected to range between EUR 285 mn and EUR 365 mn, depending on the development of fiber and raw material prices as well as the overall global economic environment.

Lenzing will press ahead with its dynamic expansion program as planned, involving investments totaling approx. EUR 350 mn in 2012. The good earnings situation and continued high liquidity will enable the company to propose a dividend to the Shareholders´ Meeting amounting to EUR 2.50 per share, i.e. about 25% of the consolidated net income for the 2011 financial year.

Key Group indicators (IFRS)

in EUR mn	2011	2010(1)
Consolidated sales	2,140.0	1,766.3
EBITDA	480.3	330.6
Earnings before interest and tax (EBIT)	364.0	231.9
Earnings before tax and minority interest (EBT)	351.9	216.9
Profit for the year attributable to Lenzing AG shareholders	258.7	159.1
EBITDA margin in %	22.4	18.7
EBIT margin in %	17.0	13.1
Gross cash flow	389.0	292.9
CAPEX	196.3	230.0

	31.12.2011	31.12.2010
Adjusted equity ratio(2) in %	4.8	38.6
Number of employees(3)	6,593	6,530

(1) Values adjusted according to IFRS 5
(2) Equity incl. government grants less prop. deferred taxes
(3) Incl. trainees, excl. leased labor, headcount

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