

07.08.2019 – 07:01 Uhr

Brenntag reports increased operating EBITDA



Dear all,

Brenntag, the global market leader in chemical distribution, lifted its key performance indicators operating gross profit and operating EBITDA at Group level in the second quarter of 2019. The further downturn in the macroeconomic environment had a noticeable impact on the quarterly results, especially in the two large regions EMEA and North America.

For further information and the figures, please see the press release below and the attached PDF.

If you have any questions, please do not hesitate to contact us.

Best regards,

Hubertus Spethmann

Essen, August 7, 2019

Brenntag reports increased operating EBITDA

- Operating gross profit* grows to 722.9 million EUR (+4.1% on a constant currency Basis)
- Operating EBITDA** reaches 266.3 million EUR (+12.2% on a constant currency Basis)
- Operating activities impacted by weak macroeconomic environment, especially in EMEA and North America
- Profit after tax comes to 125.4 million EUR and earnings per share to 0.81 EUR
- For full-year 2019, Brenntag forecasts an increase in operating EBITDA of between 0% and 4% (on a like-for-like Basis)

Brenntag (WKN A1DAHH), the global market leader in chemical distribution, lifted its key performance indicators operating gross profit and operating EBITDA at Group level in the second quarter of 2019. The growth in operating EBITDA is mainly attributable to the initial application of IFRS 16, the new financial reporting standard on leases. The further downturn in the macroeconomic environment had a noticeable impact on the quarterly results, especially in the two large regions EMEA and North America. In light of the current trend in earnings performance and the macroeconomic growth outlook, Brenntag decided in July to revise its forecast for full-year 2019: the Group still expects to see growth in operating gross profit. For operating EBITDA, it forecasts an increase on a like-for-like basis of between 0% and 4% (before 3% - 7%).

Brenntag generated sales of 3,254.3 million EUR in the second quarter of 2019, a year-on-year decrease of 1.2% on a constant currency basis (+1.2% as reported). Brenntag's key performance indicator **operating gross profit** reached 722.9 million EUR, an

increase of 4.1% on a constant currency basis (+6.8% as reported). **Operating EBITDA** was up by 12.2% year on year at constant currency rates (+15.1% as reported) to 266.3 million EUR. The growth in operating EBITDA is mainly attributable to the initial application of the new financial reporting standard IFRS 16. The effect of this IFRS on Group operating EBITDA amounts to 28.3 million EUR in the second quarter.

Profit after tax was up on the prior-year figure of 118.3 million EUR to 125.4 million EUR in the second quarter of 2019. This translates into earnings per share attributable to Brenntag shareholders of 0.81 EUR.

At 179.1 million EUR, free cash flow was up significantly on the prior-year quarter's figure (147.9 million EUR). This is due primarily to the lower increase in working capital compared with the second quarter of 2018.

Steven Holland, Chief Executive Officer of Brenntag AG, said, "The second quarter confirmed that there has been no significant improvement of the underlying business environment, and overall business sentiment remains weak. Despite this, however, we achieved operating EBITDA on a par with the previous year on a like-for-like basis."

Results in EMEA negatively impacted by the further weakened market environment

The EMEA (Europe, Middle East & Africa) region saw a continuation of the trend of recent months. The market environment continued to turn down, providing no impetus, and demand remained weak. Against this background, Brenntag EMEA generated operating gross profit on a par with the previous year (+0.2% on a constant currency basis; -0.2% as reported) at 292.8 million EUR. Operating EBITDA was up by 6.5% on the prior-year figure on a constant currency basis (+5.5% as reported) to 108.7 million EUR.

North America sees downturn in operating activities

Brenntag North America recorded noticeably weaker demand and a downturn in the macroeconomic environment in the course of the second quarter. This led to lower growth rates in our business. Overall, the acquisitions made a positive contribution to earnings. Compared with the prior-year quarter, operating gross profit rose by 5.1% on a constant currency basis (+11.2% as reported) to 313.0 million EUR. Operating EBITDA reached 127.8 million EUR, an increase of 11.6% on a constant currency basis (+18.3% as reported).

The growth in operating EBITDA in the two large regions EMEA and North America is mainly attributable to the initial application of the new financial reporting standard IFRS 16.

Latin America delivers another good quarter in an environment of continued volatility

Brenntag Latin America continued its positive performance into the second quarter of 2019, generating good operating results in a still-difficult economic environment. Operating gross profit rose by 7.9% on a constant currency basis (+10.1% as reported) to 44.8 million EUR. Operating EBITDA was up by 57.0% on a constant currency basis (+54.0% as reported) to 13.4 million EUR.

Further growth in Asia Pacific

In the Asia Pacific region, Brenntag achieved further growth in the second quarter of 2019. The acquisitions made a positive contribution to this. Operating gross profit rose by 15.0% on a constant currency basis (+18.2% as reported) to 67.6 million EUR. Operating EBITDA was up by 25.1% on the prior-year figure on a constant currency basis (+28.8% as reported) to 25.5 million EUR.

Revised forecast for full-year 2019

In light of the current trend in earnings performance and the deterioration in the macroeconomic environment, Brenntag decided in July to revise its forecast for full-year 2019: the Group still expects to see growth in operating gross profit. On a constant currency basis, based on the same financial reporting standards and including acquisitions, it now forecasts an increase in operating EBITDA of between 0% and 4% (previously: between 3% and 7%). This range means that reported operating EBITDA for the Brenntag Group will be somewhere between 995 million and 1,030 million EUR in financial year 2019, assuming that current exchange rates do not change materially in the course of the year and the effect of the initial application of IFRS 16 is approximately 100 million EUR.

Steven Holland said, "We have revised our forecast for operating EBITDA to reflect the currently difficult trends and macroeconomic outlook. Although we are now more cautious as regards the further course of the year, our resilience, broad diversification and successful acquisitions will help us to continue to grow."

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