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EANS-News: Semperit AG Holding / Transformation measures lead to significant improvement of operating results in Q1-Q3 2019*

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Quarterly Report

Vienna -

- * Decrease in total revenue by 2.7% to EUR 652.2 million
- * Slight decrease in revenue by 1.5% in the Industrial Sector and more significant decline by 4.9% in the Medical Sector
- * EBITDA increased by 23.1% (after one-off effects in Q2'2018) to EUR 56.4 million, EBITDA margin from 6.8% (adjusted) to 8.6%
- * Publication of the interim Group report postponed due to potential impairment loss at Sempermed
- * Varying degrees of decline in order books per segment indicates recession

Vienna/Austria, 21 November 2019 - The publicly listed Semperit Group significantly improved the operating results with increasing profitability on EBITDA level in the first three quarters of 2019, while revenue declined slightly. "In the course of this year, we have taken a major step forward; our systematic restructuring and transformation programme is taking effect. The Medical Sector has also made a positive contribution to EBITDA for the second consecutive quarter, based on an increase in operating performance," commented Martin Füllenbach, Chairman of the Management Board of Semperit AG Holding, on the condensed report. "Despite this upward trend, the situation in the Medical Sector continues to intensify in view of the highly competitive market environment; our relative competitive position has recently deteriorated significantly. Against this background, we are examining strategic options for the Medical Sector."

The significant increase in profitability in the first three quarters was achieved in an environment of increasingly subdued global economic developments and trade conflicts. This led to uncertainty in many industrial circles with regard to future investment decisions and it increases fears of recession. Although the raw material markets continued to ease compared to the previous year, Semperit continues to observe intense competition for some materials. At the same time, Semperit is now in a position to react appropriately to economic fluctuations, also at short notice as a result of the transformation programme and proactive measures.

Increase in profitability in all segments

Business development in the Industrial Sector again varied. While Semperflex and Semperform recorded only slight declines in revenue, Sempertrans saw a higher decrease in revenue, mainly due to a paradigm change from a volume-based strategy to a differentiated customer/product approach. Profitability was consistently increased in the segments of the Industrial Sector due to positive effects of the initiatives from the restructuring and transformation programme.

The decrease in revenue in the Medical Sector, on the other hand, was mainly due to a decline in volumes sold. Business development was characterised by the strategic decision for increased in-house production instead of traded goods and a continuing trend towards nitrile gloves. The order situation is under increasing pressure, as some major customers are optimising their inventories or expanding their supplier base due to the difficult market and price situation.

In the first three quarters of 2019, total revenue recorded a year-on-year decline of 2.7% to EUR 652.2 million. Revenue in the Industrial Sector fell by 1.5% to EUR 426.2 million and in the Medical Sector by 4.9% to EUR 226.0 million.

EBITDA up to Q3 2019 surpassed EBITDA for the full year 2018

EBITDA (earnings before interest, tax, depreciation and amortisation) rose from EUR 41.9 million in the first three quarters of 2018 (or EUR 45.8 million, adjusted for the negative one-off effects of EUR 3.9 million from the shutdown of the Sempertrans site in China for the first three quarters of 2018) to EUR 56.4 million in the first three quarters of 2019. As a result, the full-year figure for 2018 was already exceeded at the end of the third quarter. The EBITDA margin increased from adjusted 6.8% to 8.6% in the first three quarters of 2019 and thus reflects the profitability improved by the restructuring and transformation process.

At EUR 25.1 million, the cash-effective investments in tangible and intangible assets in the first three quarters of 2019 were below the previous year's level of EUR 57.7 million.

Industrial Sector: transformation process shows clear effects

The declining demand due to the economic situation had an impact on the Industrial Sector (Semperflex, Sempertrans and Semperform segments), among others. Overall, revenue in the Sector fell by 1.5% from EUR 432.7 million to EUR 426.2 million in the first three quarters of 2019. EBITDA increased by +34.0% to EUR 74.7 million and therefore exceeded the total annual results of 2018 after only nine months. The EBITDA margin improved from 12.9% to 17.5%.

Medical Sector: further operating improvements

In the Sempermed segment, revenue in the first three quarters of 2019 declined by 4.9% year-on-year to EUR 226.0 million. Due to the successful implementation of operational restructuring measures, profitability was increased again, whereby EBITDA turned positive again for the first time after a negative first half-year: EBITDA amounted to EUR 1.5 million in the first three quarters of 2019 after EUR -0.8 million in the same period of the previous year.

Outlook 2019

The Management Board of Semperit will continue systematically the ongoing restructuring and transformation process. At the same time, the effects of the global economic slowdown are clearly noticeable. This is reflected to varying degrees in the declining order books of the segments and is expected to have a negative impact on earnings particularly in the first half of 2020.

The competitive environment of the Medical Sector has recently intensified significantly, which - as already announced on 13 November 2019 - might result in a significant impairment loss in the Medical Sector. Not least against this background, the Management Board is examining strategic options for the medical business.

* The figures for Q1-3 2019 are preliminary. On 13 November 2019, Semperit announced that it had gained new findings on the competitive environment of the medical business, which might result in a significant impairment loss in the Medical Sector. Therefore, today's reporting on the first three quarters has been shortened. The interim Group report as of 30 September 2019 will be presented when a potential impairment loss has been recognised; the publication date will be announced separately. Due to adjusting events after the closing date, the figures presented in today's shortened report might still change until the approval of the publication.

Further inquiry note:

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