

EANS-News: Lenzing / Lenzing solid in a historically difficult market environment

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Financial Figures/Balance Sheet

Highlights -

- * Historically difficult market environment - trade tensions put textile value chain under pressure in 2019
- * Prices for standard viscose at a historic low
- * Positive development of the specialty fiber business with a revenue share of already 51.6 percent
- * Strategic investment projects are progressing according to plan
- * sCore TEN targets for 2024 defined - EBITDA of EUR 800 mn

Lenzing - Despite a generally difficult demand environment for textile fibers and a drastic drop in prices for standard viscose, the Lenzing Group recorded a solid business development in 2019. The disciplined implementation of the sCore TEN corporate strategy and the accompanying focus on specialty fibers once again helped to mitigate the effect of unprecedentedly low standard viscose prices.

As a result, revenue dropped by 3.3 percent from EUR 2.18 bn to EUR 2.11 bn in 2019, driven by lower selling prices as well as standard fiber volumes. Due to positive mix effects and more resilient specialty fiber prices, the share of specialty fibers increased from 45.5 percent to 51.6 percent of revenue. The earnings development was largely influenced by the decline in revenue, but also by negative currency effects on material and personnel costs. EBITDA (earnings before interest, tax, depreciation and amortization) fell by 14.4 percent from EUR 382 mn to EUR 326.9 mn. The EBITDA margin declined from 17.6 percent to 15.5 percent. Net profit, at EUR 114.9 mn, was 22.4 percent lower than in the previous year at EUR 148.2 mn. Earnings per share amounted to EUR 4.63 (2018: EUR 5.61).

The Management Board will propose at the 76th Annual General Meeting a dividend of EUR 1.00 per share for the 2019 financial year (2018: dividend of EUR 3.00 plus a special dividend of EUR 2.00 per share), which is equivalent to a total dividend payout of EUR 26.6 mn. The Supervisory Board accepted this proposal at its meeting held on March 11, 2020.

"Lenzing and the entire textile value chain operated in a historically difficult market environment in 2019, which had a negative impact on our revenue and earnings development. The focus on specialty fibers has been contributing to the company's resilience in the reporting period and we feel very well positioned with our corporate strategy. Our goals for 2024 underpin this confidence in our future", says Stefan Doboczky, Chief Executive Officer of the Lenzing Group. "The implementation of the key projects in Thailand and Brazil plays a central role in further strengthening our market position and in accomplishing our ambitious climate targets. We are very satisfied with the progress of both projects," Doboczky adds.

CAPEX (acquisition of property plant and equipment) amounted to EUR 244 mn in 2019, reflecting the Lenzing Group's investment activities on increasing internal pulp production and raising the share of specialty fibers in line with the sCore TEN strategy. The major projects in Brazil and Thailand will have an increased impact on the CAPEX volume as of 2020.

Zwttl.: Expansion of pulp capacities

The expansion and modernization of the dissolving wood pulp plants in Lenzing

and Paskov, which started in 2017, will increase pulp production capacities by roughly 35,000 tons annually. The expansion in Lenzing was successfully implemented in the second half of 2019. At roughly the same time, the new capacities at the Paskov plant were gradually started up. This process will be completed in the first quarter of 2020.

Based on the decision to build a dissolving wood pulp plant in Brazil with its partner Duratex, Lenzing will increase its self-supply by 500,000 tons annually, thus strongly enhancing backwards integration. The plant is expected to start operations in the first half of 2022. Lenzing and Duratex hold 51 percent and 49 percent, respectively, in the joint venture. Industrial CAPEX are expected to total roughly USD 1.3 bn (based on current exchange rates and customary tax refunds).

Zwtl.: Expansion of specialty fiber capacities

In 2019, Lenzing also started the construction of a state-of-the-art lyocell production facility in Thailand. The investment for the new plant with a capacity of 100,000 tons amounts to roughly EUR 400 mn. Construction work started in the second half of 2019. The completion is scheduled for the end of 2021.

Lenzing aims to achieve stable and profitable growth and to improve the ecological footprint of the textile and nonwovens industry by expanding the production of specialty fibers. In addition, the conversion of production capacities from standard viscose to LENZING(TM) ECOVERO(TM) branded specialty viscose fibers progressed well during the reporting period. LENZING(TM) ECOVERO(TM) fibers are very well received on the market thanks to their very favorable ecological footprint and their unique identification technology.

Zwtl.: Lenzing shines at the Oscars

The TENCEL(TM) brand's visibility was further increased through co-branding during the reporting period. Compared with the previous year, the number of end products labeled with the TENCEL(TM) brand nearly doubled to 173 mn. The digital marketing concept "Where to buy" was introduced on the website www.tencel.com [<http://www.tencel.com>] in the first quarter of 2019. Based on this concept, products made from TENCEL(TM) fibers can be presented and linked in the online shops of more than 135 partners, including brands like H&M, Levi's, Allbirds, Victoria's Secret, Esprit, Pottery Barn and Asos.

Lenzings fibers were also a great success at this year's Oscar ceremony in Los Angeles. Three dresses worn by nominees and winners were handmade from fabrics with our TENCEL(TM) Luxe filaments. The strong response on social media accelerated awareness for this sustainable and innovative product of the Lenzing Group.

Zwtl.: Science Based Targets initiative approves climate targets

During the reporting year Lenzing announced its goal of a substantial reduction in CO₂ emissions, for which investments of more than EUR 100 mn in sustainable technologies and production facilities are earmarked in the coming years. As a first milestone set for the year 2030, Lenzing aims to cut its own CO₂ emissions per ton of product by 50 percent. For 2050, Lenzing has announced a vision towards net-zero CO₂ emissions. The Science Based Targets initiative, the most recognized organization in the field of climate-relevant target setting, scientifically validated Lenzing's climate targets in the second half of 2019. Lenzing is consequently the first producer of wood-based fibers with set science-based targets.

Zwtl.: Lenzing sets ambitious goals for 2024

The Lenzing Group worked on adapting its goals as part of the sCore TEN strategy in the reporting period. The primary focus in the coming years is on the implementation and execution of set climate targets and investment projects in Thailand and Brazil. Lenzing aims to increase the share of high-quality specialty fibers in fiber revenue to 75 percent by 2024 and the share of internally produced pulp to more than 75 percent. In line with its strategic

commitment for 2024, Lenzing strives to reduce CO2 emissions per ton of product by more than 40 percent compared with 2017. The EBITDA target for 2024 is EUR 800 mn.

The solid development in recent years despite very difficult market environment at times, reassures Lenzing in its strategic direction. Today, the company is substantially more resilient than it was a few years ago due to its specialty strategy and its strong brands based on innovation and acting sustainably. Lenzing continues to see strong structural growth in the global fiber market over the coming years, with demand for wood-based cellulosic fibers expected to grow 4 to 6 percent per year until 2024, thus nearly twice as fast as the global fiber market.

Zwttl.: Outlook

The International Monetary Fund expects a slight recovery of global economic growth to 3.3 percent in 2020, while at the same time warning of several risks. The increased frequency of extreme weather events and currently also the coronavirus crisis could have a strong impact on the global economy in 2020. The currency environment in the regions relevant to Lenzing is also expected to remain volatile.

Demand on the global fiber markets is currently difficult to predict due to the spreading of the coronavirus, which is paralyzing large parts of the textile value chain, especially in China. According to preliminary calculations, cotton stock levels will remain high in the 2019/2020 season. The price levels for cotton and polyester are expected to remain subdued.

Capacity expansions for standard viscose are expected to be lower than in 2019, but will nevertheless lead to an increase in surplus capacity. The pressure on prices, which have been at a historic low for a considerable period of time, should therefore persist in 2020. Despite additional lyocell capacities in China and low visibility, the Lenzing Group expects the comparatively positive development of its specialty fiber business to continue.

Driven by the challenging situation in standard viscose and low paper pulp prices, prices for dissolving wood pulp are expected to remain at low levels. Caustic soda prices in Asia have already declined significantly over the past months; this development is now also noticeable in Europe.

The above effects significantly impact earnings visibility for 2020. The Lenzing Group currently expects the result for 2020 to be below the level of 2019.

The market developments reassure the Lenzing Group in its chosen corporate strategy sCore TEN. Lenzing will continue to put a particular focus on the strategic investment projects which will yield a significant contribution to earnings starting from 2022.

Selected indicators of the

Lenzing Group	2019	2018
EUR mn		
Revenue	2,105.2	2,176.0
EBITDA (Earnings before interest, tax, depreciation and amortization)	326.9	382.0
EBITDA margin	15.5 %	17.6 %
Net profit for the year	114.9	148.2
Earnings per share in EUR	4.63	5.61
Dividend per share in EUR	1.00(1)	5.00
CAPEX(2)	244.0	257.6
Free cash flow	0.8	23.5
Net financial debt as at 31.12.	400.6	219.4
Adjusted equity ratio(3)	50.0 %	59.0 %

as at 31.12.

Number of employees as at	7,036	6,839
31.12.		

- 1) Based on proposed dividend payout
- 2) Capital expenditures: acquisition of intangible assets, property, plant and equipment as per statement of cash flow
- 3) Ratio of adjusted equity to total assets in percent

Photo download:

<https://mediadb.lenzing.com/pinaccess/showpin.do?pinCode=Z8Uwyx4OldqQ> [<https://mediadb.lenzing.com/pinaccess/showpin.do?pinCode=Z8Uwyx4OldqQ>]

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