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EANS-News: Semperit increases operational profitability in the first quarter despite corona pandemic and global economic depression

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Quarterly Report

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- * Decrease in consolidated revenue by 6.5% to EUR 199.1 million
- * Revenue rose by 8.4% in the Medical Sector and fell by 14.0% in the Industrial Sector
- * EBITDA increased by 2.3% to EUR 16.9 million, EBITDA margin from 7.7% to 8.5%
- * EBIT significantly improved by 24.9% to EUR 9.8 million, EBIT margin from 3.7% to 4.9%
- * Corona effects manageable in the first quarter
- * Reprioritisation in the light of the corona crisis leads to delayed implementation of the strategic landmark decision to separate from the medical business

The publicly listed Semperit Group increased profitability in the first quarter at both EBITDA and EBIT level despite a historically unprecedented corona/CoViD-19 pandemic and the resulting global economic recession. "This is clear evidence of how well and successfully the measures of our restructuring and transformation process, which is now accelerated even more by corona, are taking effect," says Martin Füllenbach, Chairman of the Management Board of Semperit AG Holding. "The drastic improvement in the Medical Sector is primarily the result of our tireless productivity enhancement measures and operational progress since the beginning of 2018. The effects of the significant increase in demand for medical protective gloves in connection with corona will for the most part only be reflected in future quarterly results."

Among other things, since March Semperit has supplied more than 60 million gloves to provide the medical personnel in Austria with protective equipment in cooperation with the crisis management team of the Austrian federal government. In the course of the corona crisis, new priorities are set, Füllenbach continued: "Supporting the Republic of Austria with medical protective gloves is of course paramount for us as an Austrian company with an Austrian core shareholder. This is why the implementation of the still valid strategic landmark decision to separate from the medical business will be delayed."

External factors are likely to have a negative impact, primarily in the second half of the year

The robust increase in profitability of the Semperit Group in the first quarter of 2020 was achieved in an environment in which fears of recession, which had been rampant since the noticeable cool-down of the global economy in the second half of 2019, were replaced by an increasingly worsening global economic depression in the wake of the corona pandemic. There have been positive developments on the relevant raw material markets, but close monitoring of the situation must continue. Semperit has taken preventive measures to secure alternative suppliers in the course of the corona crisis. The ongoing burdens on the global economy increasingly include the production stops caused by the global lockdown, the interruption of global supply chains and the high level of debt in the national budgets of developed industrialised countries. These market-relevant external factors will increasingly influence the business of the

Semperit Group in the second half of 2020.

Economically induced decline in revenue in the first quarter

In the first quarter of 2020, the results of the Industrial Sector were reported in the new structure for the first time: the sector now consists of four segments (Semperflex, Sempertrans, Semperseal and Semperform) after the former Semperform segment was split into two separate segments: Semperseal deals with sealing profiles and elastomer sheets; Semperform, combines the business units handrails, cable car rings, ski foils and engineered solutions (SES).

In the first quarter of 2020, the Semperit Group recorded a decrease in revenue by -6.5% to EUR 199.1 million compared with the same period in the previous year. In the Industrial Sector revenue fell by -14.0%. In contrast, the Medical Sector achieved an increase of +8.4%. The decline in the Industrial Sector, which was largely based on the economic situation, was particularly attributable to the Semperflex segment, but also to the other industrial segments.

The increase in revenue in the Medical Sector is primarily due to an increase in volumes sold, which was achieved particularly through improved capacity utilisation due to higher production volumes. In addition, the initial effects of the corona crisis were reflected in increased demand for examination and protective gloves as well as surgical gloves. The short-term increase in demand is reflected in an improved order situation.

Robust increase in profitability

Despite lower revenues, EBITDA (earnings before interest, tax, depreciation and amortisation) rose from EUR 16.5 million in the first quarter of 2019 to EUR 16.9 million in the first quarter of 2020 due to a lower cost level. The EBITDA margin increased accordingly from 7.7% to 8.5%. Depreciation decreased to EUR 7.1 million (-18.1%), mainly due to the reduced depreciation basis as a result of the impairment in the Sempermed segment, which was recorded in the third quarter of 2019. EBIT (earnings before interest and tax) improved to EUR 9.8 million in the first quarter of 2020 compared to EUR 7.8 million in the first quarter of 2019. The EBIT margin increased from 3.7% to 4.9%.

At EUR 6.8 million, cash-relevant investments in tangible and intangible assets in the first quarter of 2020 were below the previous year's level at EUR 16.2 million. The focus was mainly on capacity-maintaining investments. As of March 31, 2020, cash and cash equivalents amounted to EUR 151.5 million, which was above the level at year-end 2019 with EUR 141.4 million. The reason for this was, among other things, a better cash management and the decrease of investments in tangible and intangible assets.

Economic slowdown perceptible in the Industrial Sector

The Industrial Sector - above all Semperflex - was hit by the economic downturn, as a result of which the Sector's revenue decreased by 14.0% from EUR 141.4 million to EUR 121.6 million. Due to the economic slowdown, overall profitability in the Industrial Sector also fell. EBITDA decreased by -27.9% to EUR 17.7 million, EBIT by -38.2% to EUR 11.4 million. The EBITDA margin decreased from 17.3% to 14.5% and the EBIT margin from 13.0% to 9.3%.

The first steps towards the regional development in connection with the expansion in North America have brought encouraging market reactions. However, the expansion project is delayed due to the corona crisis, which is also clearly evident in America.

Medical Sector on the rise thanks to restructuring; corona boosts demand

In the first quarter of 2020, the development of the Sempermed segment was characterised particularly by increased production volumes. It was possible to increase volumes sold, resulting in an 8.4% rise in revenue compared with the

previous year. The measures of the restructuring and transformation process also showed their lasting positive effects on productivity. EBITDA was EUR 4.8 million in the first quarter of 2020 after EUR -0.9 million in the first quarter of 2019. EBIT amounted to EUR 4.3 million after EUR -2.8 million in the first quarter of 2019.

Due to the continuing corona crisis, demand in the segment is above average, while the order books are at a very high level. The results in 2020 will be significantly higher than 2019 according to current expectations. Although the operational key figures at Sempermed are currently positive, the Medical Sector is characterised by sharply intensified competitive dynamics.

Limited visibility for the further course of 2020

The corona crisis naturally will influence not only the implementation of the strategy, but also the development of the company in the coming months: as the further effects of corona on the global economy and society are still unclear, the impact on Semperit cannot be assessed in detail at present. Furthermore, an economic slowdown has become apparent since the previous year, which will have a significant negative impact, particularly on the Industrial Sector. In the Medical Sector, there are signs of a significant improvement for the current financial year as a result of the successful operational restructuring of recent years and the currently significant increase in demand for medical gloves. Additional potential may result from a possible positive market dynamic and thus from a rising market price level.

To ensure the best possible management of the corona crisis, the Semperit Group introduced appropriate measures at an early stage: to protect the health of employees, all persons not involved in the operational production processes are working from home. A gradual restart of office operations - in two separate teams - will be implemented from the second half of May onwards. Comprehensive measures have been introduced for this purpose, as well as for the production staff, to increase health protection. If necessary, alternative suppliers of raw materials will ensure the required production quantities. Apart from the shutdown in China in February and in India particularly in April, no significant impairments were apparent in the first quarter. The first uncertainties in the markets were visible at the end of March. In the current second quarter, there were varying market reactions in the segments of the Industrial Sector: on the one hand, safety stocks were built up, and on the other hand, closures on the customer side were observed. These effects partly offset each other.

Against this background, Semperit expects a business year that will be characterised by significant challenges. This will be reflected in visibly lower earnings in the Industrial Sector due to the general economic situation worldwide and the effects of the corona crisis: it is to be expected that the corona crisis and the resulting intensified economic downturn will have a slightly delayed effect on the Semperit Group, but significant declines in revenue and earnings are expected, particularly from the second half of the year. Earnings in the Medical Sector, on the other hand, are positively influenced by the significant increase in demand and potential price increases in the market. The extent to which these upward trends can compensate for the negative effects from the Industrial Sector cannot be estimated at present.

The restructuring and transformation process of the Semperit Group initiated at the beginning of 2018, which has led to significant improvements at various levels, has been further accelerated by the corona crisis and will continue in the future: in this context, the focus on cost reduction measures will be further sharpened in the coming months. Due to the high level of uncertainty with regard to short-term economic developments, particularly in connection with the effects of the coronavirus, it is currently not possible to provide precise estimates for the expected development of revenues and profitability.

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