

14.08.2020 – 07:43 Uhr

EANS-News: Semperit with profitability boost in the first half of the year: efficiency enhancement, strict corona countermeasures and high market demand in the Medical Sector take effect

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Mid Year Results

Vienna/Austria, 14 August 2020 -

- * Slight decline in total revenue of 4.2% to EUR 418.9 million
- * Revenue increase in the Medical Sector (+14.8%) almost compensated for the decline in the Industrial Sector (-13.9%) in absolute figures
- * EBITDA increased by 47.2% to EUR 57.6 million, EBITDA margin from 9.0% to 13.7%
- * EBIT improved many times over to EUR 112.2 million due to impairment reversal in the Sempermed segment amounting to EUR 88.8 million, EBIT margin from 4.8% to 26.8%
- * Adjusted EBIT more than doubled to EUR 43.4 million

Despite the disruptive external market shock of the corona pandemic and the subsequent acceleration of the global economic recession, the publicly listed Semperit Group increased profitability in the first half of the year at both EBITDA and EBIT level, thus improving the Group's liquidity at the same time: "We are looking back on a very positive earnings development in the first half of the year," says Martin Füllenbach, Chairman of the Executive Board of Semperit AG Holding. "Our comprehensive restructuring and transformation programme is now also bearing fruit in the Medical Sector: the operating performance was significantly improved. In addition, the exceptional boom in medical protective gloves triggered by the corona pandemic and accompanied by price increases has been a major factor. But the Industrial Sector, which is sensitive to economic conditions, has also shown remarkable resilience to date."

Successful crisis management

In view of CoViD-19, the protection of the health of employees, customers and all stakeholders of the Semperit Group remains the top priority. Comprehensive measures were taken for the employees working in our production facilities. Since the second half of May, Semperit has implemented a gradual resumption of office operations - in two separate teams. By the end of the first half of 2020, only 3 of around 7,000 employees worldwide had fallen ill with the corona virus, with none of the cases showing a serious course. "At a very early stage, we quickly introduced measures to protect the health of our employees on the one hand and to deal with the economic effects of the corona crisis in the best possible way on the other hand," says Füllenbach, satisfied with Semperit's crisis management.

Persistent external market shock

The Semperit Group achieved a significant increase in profitability and liquidity in the historically unprecedented crisis environment of the first half of 2020. The recessionary developments observed since the second half of 2019 were overlapped by an increasingly severe global economic depression in the wake of the corona pandemic. The relevant raw material markets were largely in decline, primarily due to lower industrial demand and the collapse of crude oil

prices in spring 2020. Even though a brief recovery of economic activities and supply chains began in June-July 2020 after the easing of the global production freeze and the closure of public life, there were repeated setbacks and, in some cases, new closures in regional clusters. These market-relevant external factors will increasingly impact the Semperit Group's business, particularly in the Industrial Sector, in the second half of 2020, with recent developments in infection figures pointing to the persistent danger of a renewed strong intensification or further corona waves in the coming months.

Opposite effects of the corona pandemic on revenue development

The results of the Industrial Sector have been reported in the new structure since 1 January 2020. The sector now consists of four segments (Semperflex, Sempertrans, Semperseal and Semperform), after Semperform 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).

The Semperit Group recorded a decrease in revenues of -4.2% to EUR 418.9 million in the first half of 2020 compared to the same period of the previous year. The corona pandemic had opposite effects on the Medical and Industrial Sectors. Revenues in the Industrial Sector fell by -13.9%, while the Medical Sector recorded an increase of +14.8%.

The Industrial Sector - above all the Semperflex segment - was affected on the one hand by the economic downturn, which began as early as 2019, and on the other by the negative effects of the Corona crisis. The increase in revenue in the Medical Sector (Sempermed segment), is based on two factors: on the one hand, the increase in production volumes, which was made possible in part by improved capacity utilisation, and on the other hand, the exceptionally high demand for gloves as a result of the corona pandemic and the resulting increase in market prices.

Continued strong increase in profitability combined with higher liquidity

EBITDA rose from EUR 39.1 million in the first half of 2019 to EUR 57.6 million in the first half of 2020 due to good results in the Medical Sector. In addition to the increases in sales volumes and market prices, the restructuring and transformation measures, now also successful at Sempermed, had a positive effect. The EBITDA margin rose accordingly from 9.0% to 13.7%.

In the context of the corona pandemic and the global economic slowdown, it was necessary to examine the segments of the Semperit Group for indications of a change in the value of segment assets. In the Sempermed and Sempertrans segments, this examination resulted in the need of an impairment reversal (of EUR 88.8 million) and an impairment loss (of EUR 20.0 million) respectively.

Accordingly, EBIT jumped to EUR 112.2 million in the first half of 2020 compared to EUR 20.9 million in the first half of 2019, while the EBIT margin increased from 4.8% to 26.8%. At EUR 43.4 million, EBIT adjusted for impairment losses was nevertheless more than twice as high as in the first half of 2019, while the adjusted EBIT margin was 10.4% - also more than twice as high as in the same period of the previous year.

At EUR 11.9 million, cash-relevant investments in tangible and intangible assets in the first half of 2020 were below the previous year's level of EUR 21.4 million. The focus was mainly on capacity-maintaining investments. As of 30 June 2020, cash and cash equivalents amounted to EUR 166.8 million, which was above the level of EUR 141.4 million at the end of 2019. This was, among other things, due to a higher operating result, and the reduction of investments in tangible and intangible assets.

Economic downturn and corona reduce results in the Industrial Sector

The Industrial Sector was hit by both the economic downturn that has been

apparent since 2019 and the effects of corona. The fact that the Industrial Sector is in a solid position thanks to the measures from the restructuring and transformation programme had a supportive effect in this context. Strict cost management and close customer contact made it possible to partially offset the negative effects of the crisis. In total, revenue in the sector fell by -13.9% from EUR 289.5 million to EUR 249.2 million.

Thanks to the countermeasures taken in time during the corona crisis, profitability was only slightly below the previous year's level. Although EBITDA declined by -14.9% to EUR 44.8 million due to the decline in revenues, the EBITDA margin remained almost unchanged at 18.0% in the first half of 2020 (after 18.2% in the first half of 2019). Due to current market developments, an impairment loss of EUR 20.0 million had to be recognised in the Sempertrans segment. EBIT thus declined by -69.1% to EUR 12.2 million and the EBIT margin from 13.6% to 4.9%. The adjusted EBIT was EUR 32.2 million and the EBIT margin was 12.9%.

Medical Sector on the rise after restructuring and positive corona effects

The development of the Sempermed segment in the first half of 2020 was characterised by two main factors. On the one hand, production volumes and operating efficiency were increased as a result of the successful restructuring measures. On the other hand, the significant increase in demand for medical protective gloves resulting from the corona pandemic - particularly in the second quarter - coupled with a market-driven rise in price levels was the main reason for the positive result.

Volumes rose significantly, contributing to the 14.8% year-on-year increase in revenue. Due to the changed market situation, a reversal of an impairment loss of EUR 88.8 million was also recognised in the Sempermed segment.

In addition to the sales boost due to corona, the measures of the restructuring and transformation process had a positive impact on the medical business not only in terms of production volume and revenue growth, but also in terms of productivity and profitability: EBITDA was EUR 23.0 million in the first half of 2020 after EUR -0.3 million in the first half of 2019. EBIT amounted to EUR 110.7 million after EUR -4.2 million in the first half of 2019. EBIT adjusted for the impairment reversal also improved significantly to EUR 21.9 million, the adjusted EBIT margin was above the level of the previous year at 12.9% (first half of 2019: -2.9%).

Executive Board mandate of Dr Felix Fremerey expires as planned

The Executive Board mandate of Dr Felix Fremerey is scheduled to expire on 30 November 2020. Dr Fremerey has informed the Supervisory Board that he is not available for an extension. Since Dr Fremerey joined the Executive Board in September 2018 and under his leadership, the performance of the medical sector has improved significantly in all areas. This has laid the foundation for this year's outstanding earnings performance of the medical business. The operational restructuring has thus largely been successfully completed and a competent management team has been established for the division. Dr Felix Fremerey is therefore resigning from his position on the Executive Board of Semperit AG Holding as of today in order to devote himself to new professional challenges. The Supervisory Board and colleagues on the Executive Board thank Felix Fremerey for his outstanding performance, the extremely focused and pleasant personal cooperation and wish him all the best for his future career. CEO Martin Füllenbach (Business Medical Sector), COO Kristian Brok (Production Operations Medical Sector) and CFO Petra Preining (IT) will assume his responsibilities at Semperit.

Outlook

The recessive economic development and the effects of the corona crisis lead to opposing developments in the Industrial and Medical Sectors: In the medical

protective gloves business, a significant increase in demand and a sharp rise in prices have been observed since the outbreak of the corona crisis. Against this background and also in view of the improved operational performance, the results of the Medical Sector in the current financial year will be significantly above the previous year's level.

The emerging effects of the global pandemic are considered to be of limited sustainability. For this reason, the fundamental strategic decision of 28 January 2020, according to which Semperit will focus on the industrial rubber business in the future and separate from the medical business, is still valid, regardless of the developments recently observed in the wake of the corona crisis. The implementation of the separation from the medical business will be delayed.

The Industrial Sector was hit by the global recession, which has worsened in recent months due to the global lockdown. The results of the Industrial Sector in the current year will therefore be noticeably below the previous year's level. The positive effects from the medical business for the foreseeable future will, however, more than compensate for this decline.

Overall, based on the current figures, EBITDA of the Semperit Group is currently expected to be significantly higher than in the previous year (2019: EUR 67.8 million) for the full year. However, the currently unpredictable duration of the corona crisis and its consequences for the global economy make it difficult to reliably forecast the financial effects on the Semperit Group. In view of the developments described above, indications were examined and a reversal of an impairment loss in the Sempermed segment and an impairment in the Sempertrans segment were determined at the end of the second quarter of 2020.

Taking this into account, EBIT of the Semperit Group of EUR 110 to 160 million (2019: EUR -16.5 million) is expected for 2020 as a whole - particularly depending on the further development of the price level for medical protective gloves and the sufficient availability of raw materials for their production. These expectations were already communicated in the ad-hoc mailing of the Semperit Group on 3 July 2020.

Against this background, Semperit expects the second half of the year to be characterised by significant challenges. This will be reflected in visibly lower results in the Industrial Sector: the corona crisis and the resulting intensified economic downturn are expected to have a slightly delayed effect on the Semperit Group. However, significant declines in revenues and earnings are expected particularly from the second half of the year. In contrast, the result in the Medical Sector will be positively influenced by the significantly higher demand and price increases in the market.

The restructuring and transformation process initiated by the Semperit Group 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-cutting measures will be sharpened again in the coming months.

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Original content of: Semperit AG Holding, transmitted by news aktuell

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