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EANS-News: Semperit with record earnings in the first nine months of 2020

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- annual forecast increased several times due to pandemic-related exceptional boom and restructuring successes

Quarterly Report

Vienna -

- * Consolidated revenue slightly increases by 0.8% to EUR 657.2 million
- * Strong increase in revenue in the Medical Sector (+27.5%) somewhat overcompensated the decrease in the Industrial Sector (-13.4%) in absolute figures
- * EBITDA almost doubled to EUR 118.5 million; EBITDA margin at 18.0% after 9.3% also almost twice as high
- * EBIT significantly improved to EUR 159.9 million in the first three quarters due to reversal of impairment in the Sempermed segment; EBIT margin increased from -2.1% to 24.3%
- * Adjusted EBIT of EUR 92.6 million more than tripled
- * Annual forecast for 2020 repeatedly revised upwards
- * Early repayment of hybrid capital planned

19 November 2020 - As a result of the pandemic-related exceptional boom in medical protective gloves, the consistent restructuring and transformation process over several years and the strict and immediate cost-cutting measures to contain the negative external market shock caused by CoViD-19 in the Industrial Sector, the Semperit Group achieved a record result in the first nine months of 2020 while at the same time significantly increasing the Group's liquidity. "So far, Semperit has very successfully coped with the year 2020, which is characterised by an absolutely exceptional situation: this has become visible, among other things, in the three-fold improvement in the earnings forecast and our plan to repay the hybrid capital within the next six months," says Martin Füllenbach, CEO of Semperit AG Holding.

Further earnings improvement possible in 2021

"The positive developments are primarily due to the exceptional boom in medical products. However, they are also the result of comprehensive restructuring measures as well as stringent crisis management throughout the Semperit Group," Füllenbach continued. "Even if a broadly effective vaccine against CoViD-19 becomes available in the foreseeable future, we will experience pandemic-related positive effects from the medical business well into 2021: all in all, from today's point of view, our planning is therefore based on the assumption that we will be able to maintain the 2020 result in the coming year at the same range or even surpass it again."

Slow market recovery expected

Although a brief recovery of economic activities and supply chains began between June and September following the easing of production freeze in many countries and the disruption of public life, there were repeated setbacks and, in some cases, new shutdowns due to regional corona clusters. As the crisis intensifies again in the fourth quarter, the recovery of the markets will take even longer with increasing raw material prices. The prices of basic raw materials relevant to Semperit have risen sharply in recent months. These market-relevant external factors will continue to impact the business of the Semperit Group.

Opposing revenue trends in Industrial and Medical Sectors

The results of the Industrial Sector have been reported under the new structure since 1 January 2020. The Sector now consists of four segments (Semperflex, Sempertrans, Semperseal and Semperform), after Semperform was divided into two separate segments: Semperseal deals with sealing profiles and elastomer sheets, while Semperform comprises the business units handrails, cable car rings, ski foils and Engineered Solutions (SES).

In the first three quarters of 2020, the Semperit Group recorded a slight increase of 0.8% to EUR 657.2 million compared with the same period of the previous year. The corona pandemic again had opposite effects on the Semperit Group's Industrial and Medical Sectors: in the Industrial Sector, revenue declined by 13.4%, while the Medical Sector recorded an increase of 27.5%.

Record result with high liquidity

EBITDA almost doubled in the first three quarters from EUR 60.4 million in 2019 to EUR 118.5 million in 2020. This is particularly due to the good result of the Medical Sector, which is based on the exceptional economic boom caused by the corona pandemic on the one hand and on the successful restructuring and transformation measures on the other. The EBITDA margin rose accordingly from 9.3% to 18.0%. Compared to the EBITDA of EUR 56.4 million in the first three quarters of 2019, adjusted for the reversal of provisions of EUR 4.0 million, EBITDA was more than twice as high in the same period of 2020.

At the end of the second quarter, the outbreak of the corona pandemic, which occurred during a phase of global economic slowdown, made it necessary to examine all segments of the Semperit Group for the existence of observable indications of an impairment of segment assets. For the Sempermed and Sempertrans segments, this examination resulted in a reversal of impairment (of EUR 86.7 million) and an impairment loss (of EUR -19.9 million), which were already recognised in the first half of the year.

EBIT improved to EUR 159.5 million in the first three quarters of 2020, compared to EUR -13.7 million in the first three quarters of 2019. The EBIT margin rose from -2.1% to 24.3%. EBIT adjusted for the reversal of impairment and impairment losses was EUR 92.6 million, more than three times as high as in the first three quarters of 2019 (EUR 29.0 million). At 14.1%, the adjusted EBIT margin was also around three times the value for the comparable period.

At EUR 17.4 million, cash-relevant investments in tangible and intangible assets in the first three quarters were below the previous year's level of EUR 25.1 million. As of 30 September 2020, cash and cash equivalents amounted to EUR 157.3 million, up from EUR 141.4 million at the end of 2019. The increase resulted from higher profitability - above all in the Sempermed segment.

Restructuring measures make Industrial Sector resilient

The Industrial Sector was impacted by both the economic downturn that has been apparent since 2019 and the corona effects. Revenue in the Sector therefore fell by -13.4% from EUR 426.2 million to EUR 369.0 million. The previously introduced restructuring and transformation measures - as well as the measures to combat the corona pandemic, increased customer proximity, even in the crisis situation, and strict cost management - partially offset the negative effects.

The Industrial Sector was well prepared for the economic slowdown in 2020. Profitability was slightly above the previous year's level and therefore showed a resilient performance. Although EBITDA declined by -12.6% to EUR 65.3 million due to the decline in revenue, the EBITDA margin rose slightly to 17.7% in the first three quarters of 2020. EBIT declined by 51.1% to EUR 26.9 million and the EBIT margin fell from 12.9% to 7.3% in the first three quarters of 2020. At EUR 46.8 million, adjusted EBIT was 14.9% below the previous year's level; at 12.7%, the adjusted EBIT margin was only slightly below the comparable value.

Medical Sector: strengthened by restructuring and high demand

The development of the Sempermed segment in the first nine months of 2020 was

characterised by two key factors. On the one hand, production volumes and operational efficiency were increased as a result of the successful restructuring and transformation measures. On the other hand, as a result of the corona pandemic, the significant increase in demand for examination and protective gloves as well as surgical gloves - especially since the second quarter - and the market-driven rise in price levels were decisive for the result. Sales volumes rose significantly, with revenue growing by 27.5% to EUR 288.2 million compared to the previous year.

In addition to the positive corona effect, the measures of the restructuring and transformation process in the Medical Sector showed their positive effects not only in terms of production volume and increase in revenue, but also in terms of productivity and profitability: in the first three quarters of 2020, EBITDA was EUR 67.3 million after EUR 5.6 million in the first three quarters of 2019, which also included a positive one-off effect of EUR 4.0 million from the reversal of a provision for tax proceedings relating to levies in Brazil. As a result of the additional positive effect of the reversal of impairments, EBIT amounted to EUR 147.5 million after EUR -47.2 million in the first three quarters of 2019, when an impairment loss of EUR 46.8 million had to be recorded. The EBIT adjusted for the reversal of impairment also improved significantly to EUR 60.7 million compared to the adjusted EBIT of the previous year (EUR -4.5 million), while the adjusted EBIT margin of 21.1% was above the previous year's level (in the first three quarters of 2019: -2.0%).

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.

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. However, in view of the extremely positive earnings contributions and the high margins that are currently resulting from the exceptional economic situation, the Semperit Group will probably continue the medical business at least until mid-2021.

The Industrial Sector was hit by the global recession, which has worsened in recent months due to the corona crisis. The results of the Industrial Sector in the current year will therefore be noticeably below the previous year's level.

The accelerating CoViD pandemic has a more positive effect on the demand and price of medical products than expected in the first half of 2020. Against this background and assuming the continued uninterrupted availability of raw materials, current figures indicate that the Semperit Group's EBITDA for the full year will range between EUR 200.0 and 225.0 million and thus significantly exceed the previous year's figure. The Semperit Group's EBIT is therefore expected to be between EUR 230.0 and 255.0 million for the full year 2020.

In the first three quarters, the boom in the Medical Sector had positive effects on the liquidity of the Semperit Group. The Executive Board of Semperit AG Holding therefore plans to repay the hybrid capital made available by the core shareholder B & C Holding Österreich GmbH within the next six months.

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. In this context, the focus on cost-cutting measures will be sharpened again in the coming months.

The Semperit management continues to monitor the situation very closely. The greatest threat is that a critical number of employees in key areas of the value chain at one location may not be available due to infection with the corona virus. In the Industrial Sector, the greatest discernible risk comes from potential slumps in demand. In the Medical Sector, the current positive

development may be slowed down by the early availability of a vaccine or the market entry of new competitors. Ensuring the availability of raw materials depends on external factors and is the focus of the Semperit Group's purchasing organisation. The decision on the payment of a dividend for 2020 is yet to be made. In addition, the Executive Board of Semperit AG Holding now plans to repay the hybrid capital provided by the core shareholder B & C Holding Österreich GmbH within the next six months.

From today's perspective, the outlook for 2021 is also positive: even if a broadly effective vaccine against CoViD-19 becomes available in the foreseeable future, the pandemic-related positive effects from the medical business are expected to extend well into 2021. Based on planning assumptions, the Executive Board assumes from today's perspective that the 2020 result may be maintained at the same level or even exceeded in the coming year.

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