

2020

Q1

Report for the
first three months

1 January to 31 March

SURTECO

Economic report

Sales and Business Performance

The SURTECO Group started the business year 2020 with positive business development. However, a decline in demand set in from mid-March onwards owing to the impacts of the Covid-19 pandemic. The Group concluded the first quarter with sales amounting to € 171.6 million after € 181.3 million in the equivalent year-earlier quarter. Taking account of the sales generated by the impregnating business disposed of in July 2019, adjusted sales were 1.5 % below the level in the previous year. Sales in Germany and business in the rest of Europe eased slightly in each case by 1 %. The drop of 23 % in America was influenced by the sold impregnating business. After adjustment had been carried out, sales in America only fell slightly by 2 %. In Asia, Australia and other markets, business also declined slightly by 2 %. The foreign sales ratio came down from 73.8 % in the previous year to 72.6 % in the first three months of 2020.

Decoratives

During the first quarter of 2020, sales of the Segment Decoratives came down slightly to € 125.7 million after € 129.4 million in the equivalent year-earlier period. This involved a particularly negative impact on business in March as a result of the coronavirus pandemic, after sales in the first two months of 2020 had still continued buoyant at the level of the previous year. While business with printing decorative designs rose by 8 % during the course of the first quarter, sales with edgebandings fell back by 2 % and sales

with finish foils dropped by 7 %. A decline of 15 % was reported in respect of other products and commercial products.

Profiles

During the first three months of 2020, the Segment Profiles succeeded in increasing sales by 8 % to € 26.6 million (Q1 2019: € 24.6 million) in spite of the coronavirus crisis. Increases totalling 15 % with skirtings were able to more than compensate for declining business with technical extrusions (-2 %). This situation reflects additional business in the DIY sector. Sales with commercial products which are offered to complement the skirtings range rose by 5 %.

Technicals

The disposal of the North American impregnating business in July 2019 was the cause of the decline in sales revenues during the first quarter of 2020. Sales at € 19.3 million were 31 % below the year-earlier value (€ 27.9 million). Sales underwent an organic decrease amounting to 5 % owing to the initial effects arising from the coronavirus crisis and ongoing reserved demand in the laminate flooring business. This included a drop of 15 % for business with impregnated products resulting from disposal of the American operation. Sales with edgebandings for niche markets in the furniture industry likewise came down by 4 % whereas sales with finish foils generated an increase of 5 %.

Group Results

During the first quarter of 2020, the total output of the Group fell by 5 % to € 174.0 million (2019: € 182.5 million).

Over this period, the cost of materials fell back from € 89.2 million to € 79.7 million, which led to an improvement in the ratio compared with total output from 48.9 % in the previous year to 45.8 %. Personnel expenses came down from € 47.3 million in the previous year to € 45.9 million, while the corresponding ratio went up owing to the significant drop in total output from 25.9 % to 26.4 %. In conjunction with a modest increase in other operating expenses from € 24.4 million in the previous year to € 25.5 million, earnings before financial result, income tax and depreciation and amortization (EBITDA) increased by 6 % to € 23.9 million (2019: € 22.5 million). Depreciation and amortization amounted to € 10.5 million after € 10.9 million in the previous year. Earnings before financial result and income tax (EBIT) rose by 16 % from € 11.6 million to € 13.4 million. The financial result of € -0.6 million (2019: € -1.0 million) was favoured by improved interest expense as a result of the repayment of a US Private Placement in August 2019. Overall, the consolidated net profit totalled € 8.9 million after € 7.6 million in the previous year. On the basis of an unchanged number of shares at 15.5 million no-par-value shares, earnings per share amounted to € 0.57 (2019: € 0.49) during the first quarter of 2020.

Result of the Business Units

EBIT of the Segment Decoratives increased on the back of the improved cost of materials ratio from € 9.4 million in the previous year to € 10.2 million during the first quarter of 2020. In conjunction with an increase in business activity, the Segment Profiles succeeded

in raising EBIT from € 2.8 million in the previous year to € 3.4 million. EBIT of the Segment Technicals also went up owing to improved cost postings from € 1.0 million in the previous year to € 1.9 million.

Net assets, financial position and results of operations

Balance sheet structure of the SURTECO Group

€ million	31/12/ 2019	31/3/ 2020
ASSETS		
Current assets	281.8	323.5
Non-current assets	498.5	495.9
Balance sheet total	780.3	819.4
LIABILITIES		
Current liabilities	123.4	161.7
Non-current liabilities	302.3	301.8
Equity	354.6	355.9
Balance sheet total	780.3	819.4

On 31 March 2020, the balance sheet total of the Group increased to € 819.4 million (31 December 2019: € 780.3 million). Credit lines drawn on to safeguard liquidity during the coronavirus crisis and increased trade receivables led to an increase in current assets from € 281.8 million at

year-end 2019 to € 323.5 million on the balance sheet date of the first quarter for 2020. Non-current assets at € 495.9 million remain at the level of year-end 2019 (€ 498.5 million). On the liabilities side of the balance sheet, current liabilities increased on account of the credit lines drawn on from € 123.4 million on 31 December 2019 to € 161.7 million at the end of the first quarter of 2020. The non-current liabilities at € 301.8 million also remain at the level of year-end 2019 (€ 302.3 million), as in the case of equity at € 355.9 million (31 December 2019: € 354.6 million). The equity ratio gave ground to 43.4 % (31 December 2019: 45.5 %) on account of the extended balance sheet. The free cash flow in the first quarter of 2020 amounted to € -5.3 million after € -2.5 million in the previous year, while net financial debt improved from € 211.0 million in the previous year to € 184.8 million.

Calculation of free cash flow

€ million	1/1/-31/3/ 2019	1/1/-31/3/ 2020
Cash flow from current business operations	6.2	5.1
Purchase of property, plant and equipment	-7.2	-10.3
Purchase of intangible assets	-0.4	-0.8
Proceeds from disposal of property, plant and equipment	-1.3	0.5
Dividends received	0.2	0.2
Cash flow from investment activities	-8.7	-10.4
Free cash flow	-2.5	-5.3

Risk and opportunities report

The detailed description of the Risk Management System and the individual risk categories are provided in the Risk and Opportunities Report that forms part of the Annual Report 2019. Compared with year-end 2019, an additional macroeconomic risk arose in the Segment Decoratives with a damage class 4 and a probability class 4, and in the Segment Technicals two additional macroeconomic risks with a damage class 1 and a probability class 4 and 3 respectively, associated with the anticipated macroeconomic recession caused by the coronavirus pandemic.

Outlook for the business year 2020

Without taking into account the effects of the Covid-19 pandemic, the sales forecast for the SURTECO Group for the 2020 financial year were between € 675 million and € 700 million and the expected group result (EBIT) for the 2020 financial year was between € 40 million and € 45 million. Due to the expected global recession in the wake of the Covid-19 pandemic, the Management Board expects sales and consolidated earnings for the 2020 financial year to be significantly below these original targets.

Income Statement

€ 000s	Q1		
	1/1/-31/3/ 2019	1/1/-31/3/ 2020	Δ %
Sales revenues	181,906	171,643	-6 %
Changes in inventories	-576	1,169	
Own work capitalized	1,212	1,192	
Total output	182,542	174,004	-5 %
Cost of materials	-89,230	-79,734	-11 %
Personnel expenses	-47,283	-45,854	-3 %
Other operating expenses	-24,359	-25,522	+5 %
Other operating income	815	979	+20 %
EBITDA	22,485	23,873	+6 %
Depreciation and amortization	-10,924	-10,493	-4 %
EBIT	11,561	13,380	+16 %
Financial result	-989	-597	-40 %
EBT	10,572	12,783	+21 %
Income tax	-2,854	-3,817	+34 %
Net income	7,718	8,966	+16 %
Of which:			
Owners of the parent (consolidated net profit)	7,643	8,886	+16 %
Non-controlling interests	75	80	
Basic and undiluted earnings per share in €	0.49	0.57	+16 %
Number of shares	15,505,731	15,505,731	

Consolidated Balance Sheet

€ 000s	31/12/2019	31/3/2020
ASSETS		
Cash and cash equivalents	83,579	106,140
Trade accounts receivable	52,630	70,497
Receivables from affiliated enterprises	172	313
Inventories	123,060	124,217
Current income tax assets	5,187	5,166
Other current non-financial assets	8,281	7,130
Other current financial assets	8,871	10,071
Current assets	281,780	323,534
Property, plant and equipment	236,875	237,683
Rights of use	31,473	30,405
Intangible assets	53,767	52,197
Goodwill	162,844	162,023
Assets accounted for using the equity method	2,516	2,766
Financial assets	30	29
Other non-current non-financial assets	81	73
Other non-current financial assets	2,188	2,226
Deferred taxes	8,771	8,541
Non-current assets	498,545	495,943
	780,325	819,477

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Consolidated Balance Sheet

€ 000s	31/12/2019	31/3/2020
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term financial liabilities	8,928	37,710
Trade accounts payable	62,905	67,575
Contractual liabilities in accordance with IFRS 15	4	4
Liabilities to affiliated enterprises	0	68
Income tax liabilities	1,593	2,325
Short-term provisions	20,023	19,642
Other current non-financial liabilities	2,410	6,579
Other current financial liabilities	27,505	27,821
Current liabilities	123,368	161,724
Long-term financial liabilities	254,535	253,250
Pensions and other personnel-related obligations	13,765	13,819
Long-term provisions	126	482
Other non-current non-financial liabilities	113	31
Deferred taxes	33,785	34,222
Non-current liabilities	302,324	301,804
Capital stock	15,506	15,506
Capital reserve	122,755	122,755
Retained earnings	203,396	205,173
Consolidated net profit	9,428	8,886
Capital attributable to owners of the parent	351,085	352,320
Non-controlling interests	3,548	3,629
Equity	354,633	355,949
	780,325	819,477

Consolidated Cash Flow Statement

€ 000s	Q1	
	1/1/-31/3/ 2019	1/1/-31/3/ 2020
Cash flow from current business operations	6,163	5,082
Cash flow from investment activities	-8,736	-10,403
Cash flow from financial activities	-1,995	26,329
Change in cash and cash equivalents	-4,568	21,008
Cash and cash equivalents		
1 January	120,954	83,579
Effects of changes in the exchange rate on cash and cash equivalents	-284	1,553
31 March	116,102	106,140

Segment Reporting

Sales revenues

€ 000s	Decoratives	Profiles	Technicals	Reconciliation	SURTECO Group
1/1/-31/3/2020					
External sales	125,709	26,645	19,289	-	171,643
Internal sales	4,554	283	848	-5,685	-
Total sales	130,263	26,928	20,137	-5,685	171,643
1/1/-31/3/2019					
External sales	129,365	24,648	27,893	-	181,906
Internal sales	5,065	301	956	-6,322	-
Total sales	134,430	24,949	28,849	-6,322	181,906

Segment earnings

€ 000s	Decoratives	Profiles	Technicals	Reconciliation	SURTECO Group
1/1/-31/3/2020					
EBIT	10,246	3,362	1,903	-2,131	13,380
1/1/-31/3/2019					
EBIT	9,370	2,843	1,048	-1,700	11,561

Segment Reporting

By regional markets

Sales revenues SURTECO Group

€ 000s	1/1/-31/3/2019	1/1/-31/3/2020
Germany	47,722	47,051
Rest of Europe	84,202	83,239
America	36,106	27,792
Asia, Australia, Others	13,876	13,561
	181,906	171,643

Sales revenues Decoratives

€ 000s	1/1/-31/3/2019	1/1/-31/3/2020
Germany	29,114	27,763
Rest of Europe	59,731	58,067
America	28,148	27,445
Asia, Australia, Others	12,372	12,434
	129,365	125,709

Sales revenues Profiles

€ 000s	1/1/-31/3/2019	1/1/-31/3/2020
Germany	13,483	14,710
Rest of Europe	10,848	11,675
America	122	135
Asia, Australia, Others	195	125
	24,648	26,645

Sales revenues Technicals

€ 000s	1/1/-31/3/2019	1/1/-31/3/2020
Germany	5,125	4,578
Rest of Europe	13,623	13,497
America	7,836	212
Asia, Australia, Others	1,309	1,002
	27,893	19,289

Calculation Of Indicators

Cost of materials ratio in %	Cost of materials/Total output
Earnings per share in €	Consolidated net profit/Number of shares
EBIT	Earnings before financial result and income tax
EBIT margin in %	EBIT/Sales revenues
EBITDA	Earnings before financial result, income tax and depreciation and amortization
EBITDA margin in %	EBITDA/Sales revenues
Equity ratio in %	Equity/Total capital (= balance sheet total)
Level of debt (gearing) in %	Net debt/Equity
Market capitalization in €	Number of shares x Closing price on the balance sheet date
Net debt in €	Short-term financial liabilities + Long-term financial liabilities – Cash and cash equivalents
Personnel expense ratio in %	Personnel costs/Total output
Working capital in €	Trade accounts receivable + Inventories – Trade accounts payable

Financial Calendar

14 August 2020	Six-Month Report January – June 2020
13 November 2020	Nine-Month Report January – September 2020

Q1

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