

Press Release

Bauwerk Boen Group improved profitability further

Bauwerk Boen Group maintained currency-adjusted sales in the first half of 2018 despite a slight decline in volumes. This was possible thanks to continued price increases to compensate for rising material costs and further product mix improvements towards large-format planks with finer grading. Efficiency improvements at the plants in Lithuania and St. Margrethen and the completion of the expansion of the state-of-the-art parquet factory in Croatia resulted in further improved profit margins. While turnover increased by 5% to CHF 151 million, EBITDA and EBITA grew by 12% and 10%, respectively. Net profit of CHF 7.0 million was also significantly higher than in the same period last year (1H 2017: CHF 5.8 million, +20.7%). The Bauwerk Boen Group is confident that with the measures now taking a lasting effect, it will be able to achieve net turnover of over CHF 295 million in the current financial year and EBITDA and EBIT margins of 11% and 7%, respectively.

St. Margrethen, 27 September 2018 – The Bauwerk Boen Group achieved consolidated net turnover of CHF 150.7 million in the first half of 2018, compared with CHF 143.7 million in the same period of the previous year (+4.9%). Adjusted for currency effects, net turnover of CHF 143.5 million was practically at the previous year's level. The operating result EBITDA amounted to CHF 17.2 million, corresponding to an EBITDA margin of 11.4%, and was thus significantly higher than the result for the first half of 2017 (CHF 15.4 million, EBITDA margin of 10.7%). EBIT improved by 10% to CHF 11.3 million compared with CHF 10.3 million in the first half of 2017, resulting in a margin expansion of 40 bps to 7.5% (1H 2017: 7.1%).

Higher selling prices and mix effects offset volume declines

At 4.6 million square meters, the parquet volume sold under the Bauwerk Parkett and Boen brands was 3% below the sales volume of the same period last year. This, on the one hand, as a result of the Group's strategy of foregoing unprofitable customers and markets and streamlining its product range and, on the other hand, as a result of declining sales in the important markets of Germany, Norway and Sweden. Against this, the Bauwerk Boen Group recorded encouraging growth rates in volume and turnover in Switzerland, Eastern Europe and the USA. Fortunately, higher selling prices and product mix improvements were able to compensate for the overall volume decline. The innovative surface finishings "B-Protect" and "Live Pure", which are in line with the end-user trend towards natural appearance and easy maintenance, contributed to this development.

Completion of the expansion of the parquet factory in Croatia

At the end of May 2018, the completed, state-of-the-art production facility in Croatia was officially opened in the presence of around 100 invited guests including government representatives. Together with the commissioning of the new surface and finishing line, this marks the completion of the construction and expansion of the plant. In total, the new factory will provide the Group with an additional production volume of 1.1 million square meters or a good 10% of its current capacity. Thus, the Bauwerk Boen Group now operates high-quality and complementary parquet plants at the three locations of St. Margrethen, Kietaviškės/Lithuania and Durdevac/Croatia, which will contribute to the further improvement of operational efficiency.

Efficiency programs have a lasting effect

The efficiency measures consistently implemented within the Group in recent years are now having a lasting effect at all stages of production. As a result, the Bauwerk Boen Group, together with the price increases and product mix improvements mentioned above, succeeded in compensating for the continued rise in raw material prices. The operating result EBITDA improved by 12% to CHF 17.2 million in the first half of 2018 (1H 2017: CHF 15.4 million), corresponding to a margin increase of 70 bps to 11.4% (10.7%). Adjusted for special effects, in particular costs related to the efficiency enhancement program in Lithuania and the build-up of the plant in Croatia, as well as currency effects, the adjusted operating result EBITDA amounted to CHF 19.2 million, corresponding to a margin of 13.4% (11.1%). Operating profit after depreciation (EBIT) amounted to CHF 11.3 million or 7.5% of net turnover (1H 2017: CHF 10.3 million or 7.1% of net turnover). Adjusted for the aforementioned special and currency effects, EBIT amounted to CHF 13.6 million with an EBIT margin of 9.5%. Overall, the Bauwerk Boen Group achieved a gratifying increase in net income by 20.7% to CHF 7.0 million in the first half of 2018 (previous year CHF 5.7 million).

Solid financing

On 22 May 2018, the bond issue of Bauwerk Boen AG in the amount of CHF 80 million was successfully refinanced at a significantly lower coupon. The balance sheet ratios of the Bauwerk Boen Group remain solid. Including the subordinated shareholder loan, the equity ratio as at 30 June 2018 was 42.3% (36.8% as at 30 June 2017). The increase in the balance sheet total to CHF 280.2 million (CHF 258.1 million) is due, on the one hand, to currency effects and, on the other, to the expansion of the parquet factory in Croatia and the resultant increase in current and non-current assets.

Capital expenditure and cash flow

The Group spent a total of CHF 7.8 million on investments in the first half of 2018, of which around CHF 4.5 million for the completion of the plant and infrastructure in Croatia. The free cash flow of

Bauwerk Boen Group amounted to CHF –23.7 million in the first half of the year, compared with a negative CHF 16.4 million in the previous year.

Outlook 2018

Following the consolidation of products and markets in 2017, the Bauwerk Boen Group is confident that it will be able to return to its growth path in parquet flooring volumes and increase turnover to at least CHF 295 million for the full year 2018. With the efficiency improvement measures implemented and the new production site in Croatia, the Group has created the conditions for further improvements in earnings. The aim is to achieve an EBITDA margin in excess of 11% in 2018. This despite the fact that the Group anticipates material price increases for large-format parquet planks to continue in the short to medium term.

Following the completion of the investment cycle in Croatia, the Bauwerk Boen Group is confident that investments for the year as a whole will be well below CHF 20 million. The net debt / EBITDA ratio will not exceed 3.0.

Consolidated Income Statement			
in 1000 CHF	2018	2017	Change
	Jan-Jun	Jan-Jun	in %
Net turnover	150'737	143'667	4.9
Material and goods	-72'245	-67'818	
Personnel costs	-32'854	-32'163	
Other operating costs	-28'013	-27'787	
Other revenues	423	581	
Other expenditures (incl. restructurings)	-848	-1'130	
Operating results before depreciation and amortisation (EBITDA)	17'200	15'350	12.1
EBITDA in % of net turnover	11.4%	10.7%	
Depreciation ¹⁾	-5'900	-5'102	
Operating result (EBIT)	11'300	10'248	10.3
EBIT in % of net turnover	7.5%	7.1%	
Financial results	-2'750	-3'000	
Extraordinary / non-recurring expenses	-150	-499	
Result before taxes (EBT)	8'400	6'749	24.5
EBT in % of net turnover	5.6%	4.7%	
Taxes	-1'400	-951	
Net income	7'000	5'798	20.7
Net income in % of net turnover	4.6%	4.0%	

1) As of 1 January 2018, goodwill is offset against equity. The previous year's figures were adjusted accordingly.

Consolidated Balance Sheet in 1000 CHF	30 Jun 2018	in %	30 Jun 2017	in %	Change	in %
Assets						
Cash and cash equivalents	6'036		7'402			
Other current assets	154'883		138'053			
Current assets	160'919	57.4	145'455	56.3	15'464	10.6
Financial assets	1'660		1'848			
Tangible fixed and intangible assets	117'629		110'827			
Non-current assets	119'289	42.6	112'675	43.7	6'614	5.9
Total assets	280'208	100.0	258'130	100.0	22'078	8.6
Equity and liabilities						
Financial liabilities	111'925		109'725			
Other current liabilities	34'697		36'806			
Other non-current liabilities	14'984		16'616			
Total liabilities	161'606	57.7	163'147	63.2	-1'541	-0.9
Shareholder loan	37'308	13.3	37'295	14.5	13	0.0
Share capital	76'394		76'394			
Capital reserves	14'813		14'813			
Retained earnings (incl. currency translation differences)	-9'913		-33'519			
Total equity ¹⁾	81'294	29.0	57'688	22.3	23'606	40.9
Total equity and liabilities	280'208	100.0	258'130	100.0	22'078	8.6

1) As of 1 January 2018, goodwill is offset against equity. The previous year's figures were adjusted accordingly.

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About Bauwerk Boen Group

Bauwerk Boen Group is, according to the assessment of the Bauwerk Boen management, Europe's leading developer, manufacturer and supplier of parquet flooring in the premium segment as well as the second-largest market participant in wood flooring. With sold volumes of over 9.2 million square meters annually, the Group offers a complementary portfolio of two- and three-layer parquets as well as wooden sports flooring under the two brands Bauwerk and Boen. The key markets Switzerland, Norway and Germany as well as Austria, the UK, France, China and the US are being served by local subsidiaries. Administrative headquarters of the Group are located in St. Margrethen, Switzerland. The production locations are currently concentrated in St. Margrethen and Kietaviškės, Lithuania and Durdevac/Croatia. During the financial year 2017, the Bauwerk Boen Group generated a net turnover of CHF 285 million and employed around 1'800 people.

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