

Press Release

Bauwerk Boen Group: Measures begin to take effect

The currency-adjusted turnover of the Bauwerk Boen Group in the first half of 2019 was slightly below the prior-year period, but increased by 3.5% compared to the second half of 2018. In terms of volumes, the important sales markets Norway and Germany developed differently. In Norway, the decline in parquet sales continued at -17% due to inventory adjustments at a major customer, while in Germany the market situation stabilized and sales volumes developed positively at +10%, also due to market share gains. Although the measures implemented, particularly in the areas of material efficiency and productivity, are beginning to take effect, the EBITDA margin declined to 9.8% and the EBIT margin to 5.5% compared to the very strong first half of 2018. Net income amounted to CHF 5.4 million. Bauwerk Boen Group is confident that the measures that have been introduced – assuming stable volumes – will enable it to maintain sales and improve its earnings figures again in the current financial year.

St. Margrethen, 25 September 2019 – Consolidated net turnover of the Bauwerk Boen Group amounted to CHF 146.2 million in the first half of 2019, 3% below the previous year (CHF 150.7 million). Adjusted for exchange rate differences when applying the previous year's exchange rate, the reduction amounted to 1.6%. Compared to the strong performance of the prior-year period, the key earnings figures for the first half of 2019 were significantly below the results of the first half of 2018. The operating result EBITDA amounted to CHF 14.4 million, compared to CHF 17.2 million, a decline of 16.4%. The resulting EBITDA margin was 9.8% (11.4% in the prior-year period).

Slight decline in volumes

The volume of parquets sold under the two brands Bauwerk Parkett and Boen in the first half of 2019 was 4.5 million square meters, 2% below the volume for the same period of the previous year. While the German market recovered slightly in the reporting period after weak parquet sales in 2018, Norway and Denmark continued to decline. In Switzerland, construction activity is returning to normal, with the associated slight decline in total volume. The United Kingdom is showing a weak development in consumption based on uncertainties in connection with the Brexit debate, while China is showing the first negative consequences of the trade war with the USA. In the USA, an encouraging increase in sales was achieved, albeit at a still low level. Overall, export markets outside Europe account for around 8% of total sales, with Asia still accounting for the lion's share.

Efficiency improvement thanks to stabilization in the Croatian parquet plant

The measures introduced in Croatia last year to ensure the demanding and sustainable supply of materials and to improve manufacturing costs are beginning to take effect. The investments made in the Lithuanian plant to further increase efficiency also contributed to improving productivity. The materials ratio improved slightly – by 60 basis points – compared with the prior-year period, but significantly – by 200 basis points – when compared with the heavily burdened second half of 2018. Increases in wage costs, especially in Lithuania and Croatia, as well as higher other operating expenses had a negative impact. Overall, the operating result EBITDA reduced to CHF 14.4 million, compared with CHF 17.2 million in the very good prior-year period (-16.4%). The resulting EBITDA margin was 9.8% (11.4% in the previous year). Adjusted for one-off effects, mainly costs in connection with the efficiency enhancement programs in Lithuania and Croatia, the construction of the plant in Croatia and positive currency effects, the adjusted operating profit amounted to CHF 15.2 million, corresponding to an EBITDA margin of 10.3% (previous year 12.0%). Operating profit after depreciation (EBIT) amounted to CHF 8.1 million or 5.5% of net sales, compared with CHF 11.3 million or 7.5% in the previous year (-28.8%). Adjusted for the aforementioned special and currency effects, EBIT amounted to CHF 8.8 million or 6.0% of net turnover (previous year 8.0%). Compared to the second half of 2018, which was heavily burdened by high material costs, EBITDA margins improved by 170 basis points and EBIT by 150 basis points. Net income for the first half of 2019 was CHF 4.6 million, significantly below the good result of the same period last year (CHF 7.0 million, minus 34.3%).

Solid financing

The balance sheet and financial ratios of Bauwerk Boen Group as at 30 June 2019 remain solid. The equity ratio as of the balance sheet date, including the subordinated shareholder loans, was 42.9% (42.3% as of 30 June 2018). Compared to the previous year, financial liabilities were reduced by around CHF 7 million.

The corporate bonds of Bauwerk Parkett AG in the amount of CHF 80 million were refinanced by 100% as of 22 May 2018 with the syndicate banks Helvetische Bank AG, Zurich, and Raiffeisen Schweiz Genossenschaft, St. Gallen, by means of a 5-year bond issue of Bauwerk Boen AG. Thus, the good balance sheet ratios remained unchanged after the bond issue.

Outlook 2019

Although the situation on the raw material markets is slowly stabilizing, global demand for oak wood and in particular the fine assortments of large-format parquet planks made from it continues to exceed supply. The persistently challenging environment also makes it difficult to pass on the high material costs to the market. Nevertheless, the Bauwerk Boen Group is confident that the measures it has initiated will enable it to maintain sales in the current financial year – assuming stable volumes

– and to further improve its earnings figures for 2019 and especially in the second half of the year thanks to the efficiency measures it has taken.

After the major investments in the construction and expansion of the plant and infrastructure in Đurđevac/Croatia as well as in automation solutions to further increase productivity in Kietaviškės/Lithuania were made in 2018, investments for 2019 as a whole will go back to a normal level of around CHF 10-12 million.

Consolidated Income Statement			
in 1000 CHF	2019 Jan-Jun	2018 Jan-June	Change in %
Net turnover	146'205	150'737	-3.0
Material and goods	-69'082	-72'245	
Personnel costs	-33'009	-32'854	
Other operating costs	-29'714	-28'013	
Other revenues	715	423	
Other expenditures (incl. restructurings)	-740	-848	
Operating results before depreciation and amortisation (EBITDA)	14'375	17'200	-16.4
EBITDA in % of net turnover	9.8%	11.4%	
Depreciation	-6'325	-5'900	
Operating result (EBIT)	8'050	11'300	-28.8
EBIT in % of net turnover	5.5%	7.5%	
Financial results	-2'200	-2'750	
Extraordinary / non-recurring expenses	-450	-150	
Result before taxes (EBT)	5'400	8'400	-35.7
EBT in % of net turnover	3.7%	5.6%	
Taxes	-800	-1'400	
Net income	4'600	7'000	-34.3
Net income in % of net turnover	3.1%	4.6%	

Consolidated Balance Sheet in 1000 CHF	30 June 2019	in %	30 June 2018	in %	Change	in %
Assets						
Cash and cash equivalents	5'873		6'036			
Other current assets	148'230		154'883			
Current assets	154'103	56.6	160'919	57.4	-6'816	-4.2
Financial assets	2'249		1'660			
Tangible fixed and intangible assets	115'866		117'629			
Non-current assets	118'115	43.4	119'289	42.6	-1'174	-1.0
Total assets	272'218	100.0	280'208	100.0	-7'990	-2.9
Equity and liabilities						
Financial liabilities	104'921		111'925			
Other current liabilities	38'714		34'697			
Other non-current liabilities	11'899		14'984			
Total liabilities	155'534	57.1	161'606	57.7	-6'072	-3.8
Shareholder loan	37'308	13.7	37'308	13.3	0	0.0
Share capital	76'394		76'394			
Capital reserves	14'062		14'813			
Retained earnings (incl. currency translation differences)	-11'080		-9'913			
Total equity	79'376	29.2	81'294	29.0	-1'918	-2.4
Total equity and liabilities	272'218	100.0	280'208	100.0	-7'990	-2.9

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About Bauwerk Boen Group

Bauwerk Boen Group is 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 Đurđevac/Croatia. During the financial year 2018, the Bauwerk Boen Group generated a net turnover of CHF 292 million and employed around 1'700 people.

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