

Press Release

Bauwerk Boen Group in challenging environment in fiscal 2018

The Bauwerk Boen Group is looking back on a challenging financial year 2018, during which the expectations set could not be fulfilled, either in terms of growth or in terms of achieving efficiency at the new production facility in Đurđevac/Croatia. Main reasons for the stagnation in volumes were declining sales volumes, particularly in the important markets of Norway and Germany. In the year under review, parquet consumption fell by -11% in Norway and by -6% in Germany. In this challenging environment, Bauwerk Boen Group with volume declines of -6% and -2.5%, respectively, succeeded in significantly increasing its market shares and thus expanding its market position. Despite the slight decline in volumes, Bauwerk Boen Group was able to maintain currency-adjusted turnover at the previous year's level. In contrast, EBITDA and EBIT were negatively impacted by the aforementioned effects, which led to a margin decline to 9.8% and 5.8%, respectively. At CHF 9.7 million, net income was 16% lower than in the previous year. The Bauwerk Boen Group is confident that the measures introduced in the current financial year will enable it to increase sales and improve its earnings numbers again.

St. Margrethen, 25 April 2019 – Consolidated net turnover of the Bauwerk Boen Group amounted to CHF 292.0 million in the 2018 financial year, an increase of 2.4% over the previous year (CHF 285.1 million). Adjusted for exchange rate differences when applying the previous year's exchange rate, sales growth amounted to 0.3%. Due to the negative effects mentioned above, the operating result EBITDA amounted to CHF 28.6 million, compared with CHF 32.6 million in the very good previous year. The resulting EBITDA margin was 9.8% (11.4% in the previous year).

Volumes continue to decline

In the year under review, the volume of floor coverings sold under the Bauwerk Parkett and Boen brands decreased by a total of 1.5% to 9.0 million square meters. This was due in particular to overcapacities in the European parquet industry. In Europe, sales in 2018 increased by 1.7% year-on-year to CHF 266.9 million. Sales in the demanding Swiss market rose by 2.1%, while volumes in the German market reduced by -2.5%. The Norwegian market also declined overall as parquet consumption was down by -11%, with Bauwerk Boen Group further expanding its market share with a volume decline of -6%. Turnover in Asia and the USA rose by 10.7% to CHF 25.0 million compared with 2017. Thus, export markets outside Europe contributed around 8.6% to total sales (previous year 8%), with Asia accounting for the lion's share.

Expansion of the parquet factory in Croatia completed

The efficiency goals set for the new plant in Đurđevac/Croatia were not achieved due to a lack of supply of raw materials by the Croatian Forest Administration, insufficient quality of oak sawn timber due to weather conditions and a lack of availability of skilled personnel locally. This, despite the fact that qualified personnel from other Group facilities provided extensive local support. By contrast, all installations were commissioned on schedule. With the commissioning of the new surface and finishing line, the first 3-layer parquet finished products were produced on site and delivered to customers. For 2019, the focus will be on measures to ensure the supply of materials, improve the quality of the oak wood and increase efficiency in production. The bottlenecks in manufacturing at the plant in Lithuania eased in the year under review.

Volume, price and cost effects impact profitability

The above-mentioned overcapacities in the European parquet industry and the resulting decline in sales volumes led to price developments in which Bauwerk Boen Group was unable to adequately pass on the production costs to the markets. This led to a deterioration in the gross margin, particularly in the second half of the year. Due to the negative effects mentioned above, the operating result EBITDA amounted to CHF 28.6 million, compared with CHF 32.6 million in the very good previous year (-12.2%). 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 plant expansion in Croatia as well as negative currency effects of CHF 1.5 million, the adjusted operating result amounted to CHF 31.4 million, corresponding to an EBITDA margin of 10.8%. In the previous year, the adjusted EBITDA margin was 11.9%. The operating result after depreciation (EBIT) amounted to CHF 16.9 million or 5.8% of net sales, compared with CHF 22.0 million or 7.7% in the previous year (-23.0%). Adjusted for the aforementioned one-off and currency effects, EBIT amounted to CHF 20.0 million or 7.0% of net sales (previous year 8.2%). Thanks to lower extraordinary costs and a slightly positive tax result due to the release of provisions, the 2018 net income of CHF 9.7 million is significantly lower than in the previous year (CHF 11.5 million, minus 15.8%).

Solid financing

The balance sheet and financial ratios of Bauwerk Boen Group as at 31 December 2018 remain solid. Including the subordinated shareholder loans, the equity ratio was at 43.8% as of the balance sheet date (41.6% as of 31 December 2017). The reduction in the balance sheet total by CHF 10.3 million to CHF 259.6 million (CHF 269.9 million) is due in particular to a reduction in current liabilities.

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.

Capital expenditures and und cash flow

Investments in 2018 focused mainly on the second stage of build-up and extension of the facility and infrastructure in Đurđevac/Croatia. In the year under review, a total of CHF 5 million was spent on this. As a result, the first finished products could be produced on site as of June 2018, following the commissioning of a painting installation. Automation solutions to further increase productivity in Kietaviškės/Lithuania accounted for CHF 1.9 million in 2018. Due to the negative developments in the operating result and the reduction of short-term liabilities, free cash flow was negative at CHF -11.1 million, compared with CHF 3.1 million in the previous year.

Outlook 2019

The situation on the raw material markets remains tense, with global demand for oak wood and, in particular, the fine assortments of large-format parquet planks made from it, still exceeding supply. Bauwerk Boen Group therefore anticipates that prices will continue to rise in the short to medium term. Nevertheless, the Group is confident that it will be able to expand turnover in the current financial year and, thanks to the efficiency measures taken, increase its profitability again. The aim is to achieve an EBITDA margin of 10-11% in 2019 and an EBIT margin of over 6%.

At the end of the investment cycle in Croatia, Bauwerk Boen Group is expecting an investment volume of CHF 10-12 million in 2019, with a free cash flow of over CHF 5.0 million. The net debt / EBITDA ratio should not exceed 3.0.

Consolidated Income Statement			
in 1000 CHF	2018	2017	Change in %
Net turnover	291'998	285'050	2.4
Material and goods	-141'948	-132'602	
Personnel costs	-63'019	-66'057	
Other operating costs	-56'606	-53'285	
Other revenues	875	1'512	
Other expenditures (incl. restructurings)	-2'661	-2'007	
Operating results before depreciation and amortisation (EBITDA)	28'639	32'611	-12.2
EBITDA in % of net turnover	9.8%	11.4%	
Depreciation ¹⁾	-11'678	-10'583	
Operating result (EBIT)	16'961	22'028	-23.0
EBIT in % of net turnover	5.8%	7.7%	
Financial results	-6'520	-6'226	
Extraordinary / non-recurring expenses	-1'439	-2'369	
Result before taxes (EBT)	9'002	13'433	-33.0
EBT in % of net turnover	3.1%	4.7%	
Taxes	714	-1'892	
Net income	9'716	11'541	-15.8
Net income in % of net turnover	3.3%	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	31 Dec 2018	in %	31 Dec 2017	in %	Change	in %
Assets						
Cash and cash equivalents	7'667		18'315			
Other current assets	132'077		131'929			
Current assets	139'744	53.8	150'244	55.7	-10'500	-7.0
Financial assets	2'698		1'518			
Tangible fixed and intangible assets	117'167		118'190			
Non-current assets	119'865	46.2	119'708	44.3	157	0.1
Total assets	259'609	100.0	269'952	100.0	-10'343	-3.8
Equity and liabilities						
Financial liabilities	102'053		100'458			
Other current liabilities	31'786		42'904			
Other non-current liabilities	11'995		14'362			
Total liabilities	145'834	56.2	157'724	58.4	-11'890	-7.5
Shareholder loan	37'308	14.4	37'308	13.8	0	0.0
Share capital	76'394		76'394			
Capital reserves	14'062		14'813			
Retained earnings (incl. currency translation differences)	-13'989		-16'287			
Total equity ¹⁾	76'467	29.5	97'567	27.8	1'547	2.1
Total equity and liabilities	259'609	100.0	269'952	100.0	-10'343	-3.8

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 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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