

Press release

Semperit: Strong first-half result in Industrial Sector despite difficult market conditions

- Group-wide revenue decreased by –13.6% to EUR 570.6 million due to the expected slump in the medical business
- Extraordinarily strong sales growth in the Industrial Sector by 38.9% to EUR 372.3 million; halving in the Medical Sector by –49.5% to EUR 198.3 million
- EBITDA decreased by –69.6% to EUR 75.2 million, EBITDA margin fell by –24.3 percentage points to 13.2% (H1 2021: 37.5%)
- EBIT decreased by –78.5% to EUR 48.4 million; EBIT margin fell by –25.5 percentage points to 8.5% (H1 2021: 34.0%)
- Free cash flow reduced to EUR –4.6 million (H1 2021: EUR 117.0 million)
- Organic growth due to investment of a three-digit million sum in the sustainable expansion of the world's largest production facility for industrial and hydraulic hoses (Odry)

Vienna/Austria, 17 August 2022 – In the first half of 2022 – under ongoing, difficult market conditions – the listed Semperit Group recorded a decline in revenue and earnings compared to record results of the same period of the previous year. “As the Executive Board of the Semperit Group, we are of course especially pleased with the excellent performance of our Industrial Sector, which we are focussing on and where we continue to clearly see the future of Semperit”, said CEO Karl Haider. “In the Medical Sector, on the other hand, we saw the expected return to normality after the pandemic-related special cycle of 2020 and 2021. In sum, we achieved very strong earnings in an environment characterised by difficult framework conditions; however, due to the given uncertainties, we have to remain cautious with regard to the 2022 annual result and confirm the profit warning from March. The separation from the medical business, which was decided two and a half years ago, is now also coming back into our focus.”

Excellent sales growth once again in the Industrial Sector

In the midst of continuing difficult market conditions marked by high inflation, rising costs for raw materials, energy, wages, and transport as well as by escalating geopolitical tensions, the Semperit Group recorded a comparatively small decline in consolidated turnover of –13.6% to EUR 570.6 million compared to the first half of 2021: The record results in the same period of the previous year had been extraordinarily high thanks to the pandemic-related special cycle in medical protective gloves.

The Industrial Sector again achieved strong sales growth of 38.9% to EUR 372.3 million in the first half of 2022. This is primarily due to the increase in average sales prices in all segments, which meant that raw material and energy price increases could for the most part be quickly passed on. In contrast, revenue in the Medical Sector declined by 49.5% to EUR 198.3 million, which was mainly due to the sharp fall in price levels following the end of the boom in medical protective gloves. Average sales prices in the first half of the year were still above the pre-coronavirus level, however still declining.

Operating result burdened by significant cost increases

Both the decline in turnover compared to the same period of the previous year and rising costs for material expenses (including energy and purchased services) of +12.7%, personnel expenses of +10.3%, and other operating expenses (especially outgoing freight) of +25.8% burdened the operating result. EBITDA, which rose to extraordinary levels in the past two years as a result of the pandemic-related special cycle, fell significantly by –69.6% to EUR 75.2 million (Industrial Sector +64.4%; Medical Sector –92.9%) from EUR 247.5 million in H1 2021. The EBITDA margin was 13.2% (H1 2021: 37.5%). The EBIT decreased to EUR 48.4 million in H1 2022 from EUR 224.6 million in the previous year. The Semperit Group's EBIT margin decreased 34.0% in H1 2021 to a current 8.5%.

Cash investments in intangible assets and property, plant and equipment in the first half of 2022, at EUR 28.4 million, were above the level of the comparison period of the previous year of EUR 18.8 million and will continue in the future to be concentrated increasingly in growth-oriented investments.

Free cash flow totalled EUR –4.6 million in the first half of 2022 burdened by tax payments in line with the rules in connection with the coronavirus-related special cycle in 2021, compared to EUR 117.0 million in the same period of the previous year.

Outlook

Following a successful H1 2022 that was characterised by exceptionally good results in the Industrial Sector, while at the same time the corona-induced special economic conditions of medical protective gloves have come to an end, the Semperit Group expects a significantly weaker result for H2 2022 and therefore confirms the outlook published in March. This is based on the following assumptions: The second half of the year is generally the weaker half for the Semperit Group due to seasonal cyclicity. Regularly planned maintenance and plant closures in summer and Christmas reinforce this effect. Following the end of the coronavirus-induced special cycle, a significantly weaker contribution from the Medical Sector is expected, which will put a strain on the Group's result. This can be attributed to the normalisation of price levels as well as to reduced demand due to high customer inventories, which can only be reduced gradually, and to the faster-than-expected return to a buyer's market. The additional production capacities created worldwide during the coronavirus pandemic are widening the current demand gap. Added to this is the overall economic slowdown expected by the end of 2022 at the latest, which will likely have a negative impact on the results of the Industrial Sector, too.

The annual result of the Semperit Group may of course also be considerably influenced by developments such as the Russia-Ukraine war. Immediately after the outbreak of the war, the Semperit Group stopped all deliveries to Russia and Belarus in line with the sanctions imposed by the European Union. The development of the energy crisis in Europe (energy prices and availability), which is closely linked to the Russian-Ukraine conflict, also plays a significant role in this context: A possible interruption or discontinuation of the gas supply from Russia represents a risk that the Semperit Group is mitigating with countermeasures (see below). Other significant influencing factors in connection with the war and in particular with the sanctions are the risks that special raw materials and consumables which are necessary for the production of vulcanised rubber products and further companies along the supply chain could be included on the sanctions list. This would lead to further shifts in procurement flows and to price increases. In addition to the general issue of global availability and price increases for necessary raw materials and consumables, there is also the risk that products whose production processes are energy-intensive will become more expensive depending on the price of oil and natural gas. In connection with functioning supply chains, there is also uncertainty regarding sufficient container availability to deliver the products and the availability of qualified staff. A possible further shortage and increase in the price of European road freight capacity would further exacerbate this problem.

Furthermore, it is still difficult to forecast the effects in connection with the further development of the coronavirus pandemic and its influence on the international production sites. This is evident, for example, in the recent developments in China.

To counteract material shortages, management has made the conscious decision to build up safety stocks of critical materials. This is reflected in a temporary increase in working capital, among other things. To be prepared for a possible stoppage of Russian natural gas supplies, the management of the Semperit Group has decided to use energy sources and technologies in the future which, unlike the steam boiler burners currently used, do not have to be fired with natural gas. This applies in particular to the sites in Wimpassing, Austria and in Odry, Czech Republic, as well as to the German sites. These alternatives should be operational in the course of H2 2022.

There is a high degree of uncertainty regarding sales volumes, since both in the Medical Sector and to some extent in the Industrial Sector, inventory optimisation programmes of customers can lead to an ordering behaviour of customers that deviate from the usual. This is also due to the cost increases, as price pass-through opportunities will depend on the price sensitivity of the respective customers and the dynamics in the segment-specific product markets.

Unclear and therefore also uncertain are the still unforeseeable further developments of further geopolitical trouble spots, such as the current situation in Taiwan. Added to this are the negative effects of inflation and foreign currency developments.

The management of the Semperit Group is acting prudently and has initiated the evaluation of appropriate proactive measures to mitigate these developments at an early stage; packages of measures, particularly in the area of materials management, are being successfully implemented. Current geopolitical and market developments are being closely monitored, as are their effects on capital goods markets and the market for business acquisitions.

Although the 2022 financial year will be marked by special challenges, the management will continue to focus on the strategic realignment: Although the transformation into an industrial rubber specialist was delayed by the coronavirus pandemic, this path will still be consistently pursued. This includes consideration of the next possible steps to achieve the separation from the Medical Sector. Strategic corporate development projects have the clear objective of inorganic and organic growth.

In line with this strategy, the Semperit Group has set the course for further organic growth at its giant hose plant in Odry, Czech Republic: A total of EUR 110 million will be invested in the coming years in the further expansion of one of the world's largest production facilities for industrial and hydraulic hoses, with special attention being paid to sustainability criteria and a high degree of automation. Operations are set to start up in the new production hall in 2025, where an extra 32 million metres of hydraulic hose will be added to the current production capacity.

An overview of the most important key figures at Group and segment level can be found in the table on page 4.

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About Semperit

The publicly listed company Semperit AG Holding is an internationally oriented group that develops and produces highly specialised polymer products for the industrial and medical sectors, selling them in over 100 countries around the world: hydraulic and industrial hoses, conveyor belts, escalator hand-rails, construction profiles, cable car rings, products for railway superstructures, and examination and surgical gloves. Founded in 1824, this long-standing Austrian company has its headquarters in Vienna, Austria. The Semperit Group employs around 7,000 people worldwide, including some 3,800 in Asia and approximately 900 in Austria (Vienna and production site Wimpassing, Lower Austria). The Group has 16 manufacturing facilities worldwide and numerous sales offices in Europe, Asia, Australia, and America. In the 2021 financial year, the Group generated revenue of EUR 1,182.2 million and an EBITDA of EUR 361.8 million.

Overview of key financial figures in H1 2022

Key figures of the Semperit Group, in EUR million	H1 2022	Change	H1 2021
Revenue	570.6	-13.6%	660.8
EBITDA	75.2	-69.6%	247.5
EBITDA margin	13.2%	-24.3 PP	37.5%
EBIT	48.4	-78.5%	224.6
EBIT margin	8.5%	-25.5 PP	34.0%
Earnings after tax	34.7	-80.0%	173.9
Earnings per share (EPS), in EUR	1.68	-80.0%	8.42
Gross cash flow	47.0	-79.6%	230.5
Free cash flow	-4.6	n.a.	117.0

Balance sheet key figures, in EUR million	30.06.2022	Change	31.12.2021
Total assets	969.9	+1.2%	958.6
Equity	556.4	+3.0%	540.1
Net debt (+) / Net cash (-)	-105.8	-26.6%	-144.2
Net debt to EBITDA	n.a.	n.a.	n.a.
Additions to tangible and intangible assets	20.3	-64.0%	56.4

ESG	H1 2022	Change	H1 2021
Employees (at balance sheet date)	6,936	-0.3%	6,956

Sector and segment key figures, in EUR million		H1 2022	Change	H1 2021
Industrial Sector	Revenue	372.3	+38.9%	268.1
	EBITDA	68.0	+64.4%	41.3
	EBIT	54.5	+88.0%	29.0
Semperflex	Revenue	173.7	+51.8%	114.4
	EBITDA	46.8	+78.5%	26.2
	EBIT	40.9	+98.1%	20.6
Sempertrans	Revenue	69.8	+36.5%	51.1
	EBITDA	6.6	>100%	1.8
	EBIT	4.7	>100%	0.1
Semperform	Revenue	53.7	+23.7%	43.4
	EBITDA	8.3	+24.2%	6.6
	EBIT	6.1	+27.9%	4.8
Semperseal	Revenue	75.1	+27.1%	59.0
	EBITDA	6.3	-5.4%	6.6
	EBIT	2.8	-18.9%	3.4
Medical Sector (Sempermed)	Revenue	198.3	-49.5%	392.7
	EBITDA	15.6	-92.9%	220.5
	EBIT	2.9	-98.6%	210.6

You can find further information in the Semperit Group's half-year report of 2022.