Press Release | FY 2022 Financial Results

Regulated Information
Wednesday March 1, 2023 at 7:00h CET

Third consecutive year of record EBITDA

Sales +16.2%   Adj.EBITDA +4.6%

Sales	Adj. EBITDA	Net Result	Net Debt
€ 974.1m	**€ 102.3m**	**€ 7.6m**	**€ 88.3m**
(€ 838.1m LY)	(€ 97.7m LY)	(€ 37.2m LY)	(€ 61.9m LY)

Executive Summary

- Sales in 2022 rose by 16.2% to reach a new record of € 974.1m, mainly driven by price increases to compensate the effect of inflationary pressure on raw materials, energy, salaries and transportation.
- Lower volumes in all regions are in line with the slowdown of the residential construction and renovation activity due to the challenging market environment caused by high inflation, increasing interest rates and lower consumer confidence. Market share remained stable.
- The Adj. EBITDA (€ 102.3m, +4.6% vs 2021) reached a new record for the third consecutive year and rose above € 100m for the first time in the company's history, driven by price increases to mitigate the effect of cost inflation.
- Net profit decreased from € 37.2m in 2021 to € 7.6m in 2022. The main reasons for this decrease are the impact of the implementation of IAS 29 Hyperinflation Accounting (€ 20.4m), the full impairment of Deceuninck's property, plant and equipment in Russia (€ 7.9m) and higher income taxes (€ 8.7m in 2022 vs € 2.5m in 2021). These drivers are all non-cash.
- The decrease in EPS (€ 0.04 vs € 0.25 in 2021) is largely due to the impact of IAS 29 Hyperinflation Accounting and is more than compensated by an increase in the book value per share (€ 2.22 vs € 1.83 in 2021).
- The Board of Directors will propose to the General Assembly on 25 April 2023 to pay out a dividend over 2022 of € 0.07 per share, representing an increase of 16.7% over the dividend of €0.06 paid over fiscal year 2021.

Quote of the CEO, Bruno Humblet

"The world has seen highly turbulent times in recent years, and it is fair to say that 2022 continued on this trend. War in Ukraine, soaring energy prices and unseen levels of inflation combined with the aftermath of the covid-19 pandemic caused global supply chain issues and challenging labor markets. By consequence 2022 was again a very challenging business environment to operate in.
Under these circumstances, Deceuninck was able to reach record results, for the third consecutive year. Our turnover grew to € 974.1m, up by 16.2% as compared to 2021. On top of that, for the first time in 85 years of Deceuninck, we are announcing a 3-digit adjusted EBITDA. This makes us immensely proud."

Implementation of IAS 29: Financial Reporting in Hyperinflationary Economies

- As cumulative inflation in Turkey over the last three years has exceeded 100%, IAS 29 ('Financial Reporting in Hyperinflationary Economies') has been applied to the consolidation of the Turkish subsidiaries.
- This has resulted in a positive impact on Sales (€ +22.3m) as inflation (+64%) throughout the year has been higher than devaluation (-32%).
- The impact on Gross Profit (€ -1.0m) and Adj. EBITDA (€ +1.5m) was small because the impacts of IAS 29 on income and costs largely offset each other. The limited negative impact on EBIT (€ -3.2m) was mainly due to higher depreciations following the higher value of property, plant and equipment in Turkey recognized at initial application of IAS 29.
- As a result of the requirement by IAS 29 to reflect the reduced purchasing power of the net monetary assets as a separate item in the income statement, an amount of € (17)m was booked in financial result as monetary loss. However, as the balance sheet as of 31/12/2022 already reflects the current purchasing power correctly, this impact was reversed in Other Comprehensive Income (part of Equity).
- The impact from IAS 29 on Equity has been € 43.9m positive, stemming from the (one-off) initial revaluation of mainly fixed assets in Turkey to today's real asset value and the (recurring) effect of applying the general price index on mainly fixed assets throughout the year.
- Considering the above, the implementation of IAS 29 has resulted in a negative accounting impact on Deceuninck's net result of € 20.4m, which has been more than offset by a positive adjustment for IAS 29 of € 43.9m in equity. On a per share basis, IAS 29 has had a negative impact on EPS (€ 0.04 vs € 0.17), but a positive impact on the book value per share (€ 2.22 vs € 1.94).
- The implementation of IAS 29 has no cash impact.

Summary of consolidated Income Statement

	Before IAS 29			After IAS 29		
(in € milion)	**FY 2021**	**FY 2022**	***%y-o-y***	**Impact IAS 29**	**FY 2022**	***%y-o-y***
Sales	**838,1**	**951,8**	***13,6%***	**+22,3**	**974,1**	***16,2%***
Gross profit	229,7	261,9	*14,0%*	(1,0)	260,9	*13,6%*
Gross-margin (%)	*27,4%*	*27,5%*	*+0,1 pps*	*-0,7 pps*	*26,8%*	*-0,6 pps*
EBITDA	92,8	95,9	*3,3%*	+1,5	97,3	*4,8%*
Adj. EBITDA	**97,7**	**100,8**	***3,2%***	**+1,5**	**102,3**	***4,6%***
Adj. EBITDA-margin (%)	*11,7%*	*10,6%*	*-1,1 pps*	*-0,1 pps*	*10,5%*	*-1,2 pps*
EBIT	**54,3**	**50,4**	***(7,1%)***	**(3,2)**	**47,2**	***(13,0%)***
Financial result	(14,6)	(13,9)	*(4,7%)*	(17,0)	(30,9)	*111,8%*
Profit / (loss) before taxes (EBT)	39,7	36,5	*(8,0%)*	(20,2)	16,3	*(58,9%)*
Income taxes	(2,5)	(8,5)	*240,3%*	(0,2)	(8,7)	*248,7%*
Net profit / (loss)	**37,2**	**28,0**	***(24,7%)***	**(20,4)**	**7,6**	***(79,6%)***

Summary of consolidated Balance Sheet

	Before IAS 29			After IAS 29		
(in € milion)	FY 2021	FY 2022	%y-o-y	Impact IAS 29	FY 2022	%y-o-y
Total Assets	675,1	654,3	*(3,1%)*	55,3	709,6	*5,1%*
Equity	258,9	275,7	*6,5%*	43,9	319,6	*23,5%*
Net Debt	61,9	88,3	*42,6%*	0,0	88,3	*42,6%*
Capital expenditure	43,6	46,6	*7,0%*	1,8	48,4	*11,2%*
Working capital	84,3	114,6	*36,0%*	1,0	115,6	*37,2%*

Sales evolution by region

(in € milion)	FY 2021	Volume	FX	Price / Mix	FY 2022	%y-o-y
Europe	411,4	-9,4%	1,3%	19,5%	458,3	*11,4%*
North America	183,2	-9,3%	13,4%	18,2%	224,1	*22,3%*
Turkey & EM	243,5	-5,8%	-92,9%	118,5%	291,8	*19,8%*
Total	**838,1**	**-8,2%**	**-23,4%**	**47,9%**	**974,1**	***16,2%***

Management comments

Business development

The overall business environment in **Europe** has been severely impacted by the invasion of Ukraine. This has not only triggered extremely high energy prices, but it has also caused falling consumer confidence. In combination with high costs for building materials and higher interest rates, this has caused many end customers to postpone new build or renovation projects, resulting in lower volumes in the region. An exception has been Italy, where subsidy initiatives by the government to accelerate the renovation of the housing stock has led to a double-digit volume increase.

In **North America**, higher mortgage rates have led to lower volumes, especially for new build. Renovation has held up relatively well, although we have seen a slowdown of the activity there as well. Although the US labour market is still very tight, turnover of blue-collar workers at our plants has been much lower than in 2021, which had a positive effect on profitability.

Despite sky high inflation, volumes in **Turkey** have upheld well. People continued to invest in real estate in order to protect themselves against inflation. In addition, the Turkish government has supported the economy by increasing the minimum wages and the salaries of civil servants, by pledging energy subsidies and by increasing its own spending on infrastructure projects.

Income Statement

Consolidated **sales** in 2022 increased to a new record level of € 974.1m, up 16.2% from € 838.1m in 2021, with price increases to compensate for higher raw material prices and for cost inflation as the main driver.

The **Adj. EBITDA** increased to a new record as well. For the first time in the history of the company, an Adj. EBITDA of more than one hundred million euro, more specifically € 102.3m (vs € 97.7m in 2021), was achieved.

The **Adj. EBITDA-margin** in 2022 was 10.5%, which is 1.2 percentage point lower than in 2021 (11.7%). Price increases have offset higher production costs including raw material costs, labour and energy. Higher fixed costs due to inflation and higher provisions for doubtful debtors however impacted overall profitability. In Europe, the Adj. EBITDA-margin was additionally impacted by efficiency losses and higher logistics costs, mainly caused by costs for the transition to the new platform. In North America however, the Adj. EBITDA-margin recovered, despite very low volumes, reflecting manufacturing efficiency improvements helped by a lower turnover of blue-collar workers.

Adj. EBITDA-items (difference between EBITDA and Adj. EBITDA) amount to € 4.9m (vs € 4.9m in 2021) and include mainly costs related to the transition to Elegant.

The **financial result** decreased from € (14.6)m in 2021 to € (30.9)m in 2022 which is fully explained by the implementation of IAS 29.

Depreciations and amortizations increased from € 38.6m in 2021 to € 50.1m in 2022, primarily as a result of higher depreciations following the implementation of IAS 29 and the impairment of property, plant and equipment in Russia (€ 7.9m).

Despite lower Earnings before taxes, Income taxes have risen from € (2.5)m in 2021 to € (8.7)m in 2022. The lower Earnings before taxes reflect the impairment of fixed assets in Russia and the impact of IAS29, both of which are not tax deductible. In addition, taxes in 2021 were helped by the additional recognition of deferred tax assets.

As a result of the above, **net profit** decreased from € 37.2m in 2021 to € 7.6m in 2022 and Earnings per Share attributable to ordinary shareholders decreased from € 0.25 to € 0.04.

Cash Flow and Balance sheet

Capex in 2022 amounted to € 48.4m (vs € 43.6m in 2021) and includes on top of € 20-25m recurring capex for maintenance and replacement of extrusion tools also € 20-25m expenditures to support our growth and strategy.

The **Net Financial Debt** increased from € 61.9m on 31 December 2021 to € 88.3m on 31 December 2022, causing leverage to increase slightly from 0.6x to 0.9x.

Working capital increased from € 84.3m to € 115.6m in line with sales growth.

Equity has increased from € 258.9m to € 319.6m propelled by the net result (€ 7.6m) and the impact of IAS 29 (€ 43.9m).

Outlook

We confirm our ambition to deliver another growth year in Sales and EBITDA while further improving Free Cash Flow generation.

In **Europe**, margin recovery is expected versus H2 2022 thanks to higher operating efficiency. Mid-term, we expect the market to rebound driven by the structural shortage of qualitative housing and by renovation supported by the EU Green Deal. Further investments planned to double the recycling capacity and increase the use of recycled material in our products.

In **North-America** the market is expected to improve as from H2 2023. The structural shortage of qualitative housing provides a strong growth perspective.

In **Turkey**, market momentum remains strong with more uncertainty expected after the elections. The devastating earthquake had no direct impact on our people or infrastructure. Measures have been taken by our local teams to support the victims in the region.

Emerging Markets will continue to move more towards higher quality windows and doors.

Annex 1: Consolidated Income Statement

(in € milion)	H2 2021	H2 2022	FY 2021	FY 2022
Sales	**434,1**	**467,3**	**838,1**	**974,1**
Cost of goods sold	(323,1)	(346,3)	(608,4)	(713,2)
Gross profit	**111,0**	**121,0**	**229,7**	**260,9**
Marketing, sales and distribution expenses	(65,4)	(73,2)	(128,6)	(150,1)
Research and development expenses	(3,4)	(3,2)	(6,7)	(6,5)
Administrative and general expenses	(21,3)	(24,7)	(43,2)	(50,9)
Other net operating result	4,1	1,2	3,1	(6,1)
Share of the result of a joint venture	0,0	0,0	0,0	0,0
Operating profit (EBIT)	**25,0**	**21,1**	**54,3**	**47,2**
Costs related to the derecognition of accounts receivable	(1,7)	(0,6)	(3,5)	(1,6)
Interest income (expense)	(2,7)	(2,7)	(4,9)	(5,1)
Foreign exchange gains (losses)	(4,6)	(5,5)	(5,7)	(5,6)
Other financial income (expense)	(0,4)	(0,7)	(0,4)	(1,7)
Monetary gains (losses)	0,0	(9,3)	0,0	(17,0)
Profit / (loss) before taxes (EBT)	**15,7**	**2,3**	**39,7**	**16,3**
Income taxes	1,0	(2,2)	(2,5)	(8,7)
Net profit / (loss)	**16,6**	**0,1**	**37,2**	**7,6**
Adj. EBITDA	**46,7**	**44,5**	**97,7**	**102,3**

EARNINGS PER SHARE DISTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY (in €):	FY 2021	FY 2022
Basic earnings per share	0,25	0,04
Diluted earnings per share	0,24	0,04

Annex 2: Consolidated statement of financial position

(in € milion)	FY 2021	FY 2022
Assets		
Intangible fixed assets	1,8	4,5
Goodw ill	10,6	10,6
Tangible fixed assets	246,8	297,8
Financial fixed assets	0,0	0,0
Investment in a joint venture	0,0	0,0
Deferred tax assets	9,8	11,4
Long-term receivables	1,5	0,4
Non-current assets	**270,6**	**324,7**
Inventories	169,6	171,7
Trade receivables	90,8	87,9
Other receivables	70,0	55,0
Cash and cash equivalents	72,9	58,9
Assets classified as held for sale	1,3	11,3
Current assets	**404,5**	**384,9**
Total Assets	**675,1**	**709,6**
Equity and liabilities		
Issued capital	54,4	54,5
Share premiums	90,2	90,5
Retained earnings	256,3	255,7
Cash flow hedge reserve	0,0	2,2
Remeasurements of post employment benefit obligations	(5,7)	(2,2)
Treasury shares	(0,1)	(0,0)
Currency translation adjustments	(142,4)	(93,5)
Equity excluding non-controlling interests	**252,7**	**307,1**
Non-controlling interests	6,2	12,5
Equity including non-controlling interests	**258,9**	**319,6**
Interest-bearing loans including lease liabilities	13,0	130,7
Other long-term liabilities	0,6	0,6
Employee benefit obligations	18,8	14,2
Long-term provisions	3,3	4,3
Deferred tax liabilities	1,5	9,7
Non-current liabilities	**37,2**	**159,6**
Interest-bearing loans including lease liabilities	121,8	16,5
Trade payables	176,0	144,0
Tax liabilities	6,4	8,3
Employee related liabilities	15,4	16,4
Employee benefit obligations	1,2	0,6
Short-term provisions	0,2	0,1
Other liabilities	57,9	44,5
Current liabilities	**379,0**	**230,4**
Total equity and liabilities	**675,1**	**709,6**

Annex 3: Consolidated statement of Cash Flows

(in € milion)	FY 2021	FY 2022
Profit (+) / loss (-)	37,2	7,6
Depreciations and impairments	38,6	50,1
Net financial charges	14,6	31,0
Income taxes	2,5	8,7
Inventory w rite-off (+ = cost / - = inc)	3,3	3,4
Trade AR w rite-off (+ = cost / - = inc)	(1,9)	3,3
Movements in provisions (+ = cost / - = inc)	(1,1)	0,8
Gain / loss on disposal of (in)tang. FA (+ = cost / - = inc)	(0,6)	(0,1)
Share based payment expense	0,6	0,8
Share of the result of a joint venture	0,0	0,0
GROSS OPERATING CASH FLOW	**93,0**	**105,6**
Decr / (incr) in inventories	(69,4)	(4,0)
Decr / (incr) in trade AR	(41,7)	(9,2)
Incr / (decr) in trade AP	78,3	(8,1)
Decr / (incr) in other operating assets/liabilities	(2,6)	5,9
Income taxes paid (-) / received (+)	(7,6)	(10,0)
CASH FLOW FROM OPERATING ACTIVITIES	**50,0**	**80,2**
Purchases of (in)tangible FA (-)	(43,6)	(48,4)
Investment in financial FA (+)	0,0	0,0
Proceeds from sale of (in)tangible FA (+)	1,0	0,6
CASH FLOW FROM INVESTMENT ACTIVITIES	**(42,6)**	**(47,8)**
Capital increase (+) / decrease (-)	2,4	0,3
Dividends paid (-) / received (+)	(7,2)	(9,5)
Proceeds from sale of shares of Group companies (+)*	0,5	1,2
Interest received (+)	2,8	2,0
Interest paid (-)	(7,6)	(7,7)
Net financial result, excl interest	(0,3)	(23,0)
New long-term debts	10,8	115,5
Repayment of long-term debts	(21,1)	0,0
New short-term debts	51,6	26,8
Repayment of short-term debts	(60,8)	(136,2)
CASH FLOW FROM FINANCING ACTIVITIES	**(29,0)**	**(30,5)**
Net increase / (decrease) in cash and cash equivalents	**(21,5)**	**1,8**
Cash and cash equivalents as per beginning of period	105,6	72,9
Impact of exchange rate fluctuations	(11,2)	(15,7)
Cash and cash equivalents as per end of period	**72,9**	**58,9**

* 2021 cash flow has been restated to reflect the amended classification of Proceeds from sale of shares of Group Companies as Cash Flow from Financing Activities instead of Cash Flow from Investing Activities.

Financial calendar

29 March 2023	Roadshow Degroof Petercam - Madrid
30 March 2023	Roadshow ING - Amsterdam
25 April 2023	General Assembly
26 June 2023	ING Benelux Equities ESG Conference
24 August 2023	Results H1 2023

Glossary

EBITDA

EBITDA is defined as operating profit / (loss) adjusted for depreciation / amortizations and impairment of fixed assets.

FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER (in € thousand)	2021	2022
Operating profit	54.278	47.239
Depreciations & impairments	(38.553)	(50.090)
EBITDA	**92.832**	**97.328**

Adjusted EBITDA

Adjusted EBITDA is defined as operating profit / (loss) adjusted for (i) depreciations, amortizations and impairment of fixed assets, (ii) integration & restructuring expenses, (iii) gains & losses on disposal of consolidated entities, (iv) gains & losses on asset disposals, (v) impairment of goodwill and impairment of assets resulting from goodwill allocation.

FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER (in € thousand)	2021	2022
EBITDA	92.832	97.328
Integration & restructuring expenses	4.907	4.945
Result realized on disposal of a sales entity	-	-
Gains on assets disposals	-	-
Impairment of intangible fixed assets arising from goodwill allocation	-	-
Adjusted EBITDA	**97.739**	**102.274**

EBIT

EBIT is defined as Earnings before interests and taxes (operational result).

FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER (in € thousand)	2021	2022
EBITDA	92.832	97.328
Depreciations & impairments	(38.553)	(50.090)
EBIT	**54.278**	**47.239**

EBT

EBT is defined as Earnings before taxes.

EPS (non-diluted)

EPS (non-diluted) are the non-diluted earnings per share and is defined as Earnings attributable to ordinary shareholders over the weighted average number of ordinary shares.

EPS (diluted)

EPS (diluted) are the diluted earnings per share and is defined as Earnings attributable to ordinary shareholders over the sum of weighted average number of ordinary shares and the weighted average number of ordinary shares which would be issued upon conversion into ordinary shares of all exercisable warrants leading to dilution.

Net debt	Net debt is defined as the sum of current and non-current interest-bearing borrowings minus cash and cash equivalents.
Working capital	Working capital is calculated as the sum of trade receivables and inventories minus trade payables.
Capital employed (CE)	The sum of non-current assets and working capital.
Subsidiaries	Companies in which the Group owns a participation in excess of 50 % or companies over which the Group has control.
MTM	Mark-to-Market.
Headcount (FTE)	Total Full Time Equivalents including temporary and external staff.
Restricted Group	The Restricted Group consists of all entities of the Group excluding Turkish subsidiaries and their subsidiaries.
Leverage	Leverage is defined as the ratio of Net debt to LTM (Last Twelve Months) Adjusted EBITDA.

Net debt:

FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER (in € thousand)	2021	2022
Interest-bearing loans – non-current	13.002	130.748
Interest-bearing loans - current	121.765	16.452
Cash and cash equivalents	(72.885)	(58.949)
Net debt	**61.882**	**88.251**

Working capital:

FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER (in € thousand)	2021	2022
Trade receivables	90.756	87.947
Inventories	169.589	171.722
Trade payables	(176.009)	(144.023)
Working capital	**84.336**	**115.646**

Capital employed (CE):

FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER (in € thousand)	2021	2022
Working capital	84.336	115.646
Non-current assets	270.555	324.706
Capital employed (CE)	**354.890**	**440.352**

Leverage:

FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER (in € thousand)	2021	2022
Net debt	61.882	88.251
LTM Adjusted EBITDA	97.739	102.274
Leverage	**0,6**	**0,9**

End of press release

About Deceuninck

Founded in 1937, Deceuninck is a top 3 independent designer and manufacturer of PVC and composite profiles for windows and doors. Headquartered in Hooglede-Gits (BE), Deceuninck is organized in 3 geographical segments: Europe, North America and Turkey & Emerging Markets. Deceuninck operates 17 vertically integrated manufacturing facilities, which together with 16 sales and distribution facilities guarantee the necessary service and response time to Customers. Deceuninck strongly focuses on innovation, sustainability and reliability. Deceuninck is listed on Euronext Brussels ("DECB").

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