

Press Release

During 2015, the Bauwerk Boen Group further expanded its leading position in parquet flooring in a challenging market environment and despite the strength of the Swiss franc. Revenue growth in local currencies amounted to a satisfactory 5.9%. Still, the positive effects from the completed consolidation as well as from the production relocations did not come to full fruition in the full-year report due to the negative currency situation. The Group is confident, however, to have set the foundation for a sustainable earnings generation.

St. Margrethen, 28 April 2016 – Consolidated net turnover of the Bauwerk Boen Group came to CHF 267 million during fiscal 2015, against CHF 282 million in the prior year (-5.5% vs. 2014). Adjusted for exchange rate differences as a result of the abolishment of the Euro-peg by the Swiss National Bank in January 2015 and the over-proportional weakness of the Norwegian krone, net turnover amounted to CHF 299 million. This is equivalent to a currency-adjusted revenue growth of a gratifying 5.9%. Taking into account and adjusting for extraordinary impacts, the operating result EBITDA at CHF 29.4 million reached almost the level of the previous year. Excluding the negative currency effects, a significant improvement of the adjusted EBITDA margin by 60 bps to 11.8% or net turnover could be achieved.

Volume growth continues

In an overall stagnating market environment in Europe, the Bauwerk Boen Group in the year under review realized a 5.4% increase in sold volumes to 9.4 million square meters. Both brands, Bauwerk Parkett and Boen, contributed to the market share expansion and thus confirm the growth track embarked upon since the merger. The Group gained market shares in all key markets, except Austria. In Switzerland, volumes increased by 2%. In Europe's largest parquet market, Germany, the Group recorded a volume growth of 9.5%. Export markets outside of Europe contributed around 6% to consolidated revenues. On the basis of the growth plan for Asia, the Group opened a sales branch in Hong Kong in January 2015 to better support regional partners from China, Japan, Singapore and Hong Kong in the joint growth targets. In the medium term, this should result in an increase of the Asia contribution.

Raw material shortage poses a challenge

The trend towards ever larger formats (wide planks) accelerated over-proportionally during 2015, which resulted in a – to this scale – unexpected shortage on raw materials markets. As a result, certain customer orders could not be met. Due to the strong demand, the site in Lithuania has been running in a four-shift operation since March 2015. This is increasing production expenses and, together with the higher raw materials prices, resulted in above-budget manufacturing costs.

Ongoing operational improvements

Measures to improve operational efficiency are being pursued systematically even following the successful conclusion of the consolidation and the production relocations. As such, we outsourced inventory management and transport services during the reporting year. This has resulted in lasting improvements in the 24-hour services. By starting up operations of the European distribution center in Baidt/Germany, we have merged two former inventory and logistics partners to one during the second quarter of 2015. With this, European markets can be served more efficiently. The Group is further implementing efficiency measures in the IT area by migrating the group-wide ERP systems to the existing Bauwerk platform until the end of 2017.

Margin improvements hidden by strong Swiss franc

The abolishment of the Euro minimum rate in January 2015 negatively impacted Group profitability. In the year under review, EBITDA amounted to CHF 26.7 million, compared to CHF 31.1 million in the previous year. Considering extraordinary impacts (currency-related one-time write-off of inventories in the amount of CHF 2.3 million and integration costs of CHF 0.4 million), EBITDA of CHF 29.4 million could be kept at almost the prior-year level. Further considering currency effects by applying the previous year's exchange rate, a significant improvement to CHF 35.3 million – equivalent to an adjusted EBITDA margin of 11.8% as against 11.2% in the prior year – was achieved. The operating result EBIT amounted to CHF 12.9 million, equivalent to an EBIT margin of 4.9%, compared to CHF 16.6 million or 5.9% margin in 2014. Adjusting for the aforementioned extraordinary and currency impacts, EBIT reached CHF 20.8 million or 7.0% of net turnover, a 30 bps improvement from the prior year's adjusted EBIT margin of 6.7%. Non-recurring expenses related to the restructuring of logistics and sales as well as a change in pension plan accounting in Norway in the total amount of CHF 2.2 million (prior year CHF 3.2 million) have been charged to Group results. Net income at CHF 1.9 million is thus significantly lower than in the previous year (CHF 5.0 million).

Financing remains stable

The balance sheet and financial key figures of the Bauwerk Boen Group have essentially remained stable. Taking the shareholder loan into account which is subordinate to the 4.125% corporate bonds issued in spring 2013, the equity ratio stands at 42.1% as of 31 December 2015 (43.6% as of 31 December 2014).

Outlook 2016

The Bauwerk Boen Group is confident to have set the foundation for sustainable profitability improvements despite the challenging currency and raw material environment thanks to the continuation of the growth path with both brands, the further expansion of market shares in the core markets and the implemented efficiency measures. In a market environment that continues to be difficult, the Group aims at convincing with performance.

Consolidated Income Statement			
in 1000 CHF	2015	2014	Change. in %
Net turnover	266'732	282'148	-5.5
Material and goods	-123'243	-127'040	
Personnel costs	-62'873	-67'315	
Other operating costs	-54'570	-56'828	
Other revenues	1'151	577	
Other expenditures (incl. restructurings)	-536	-442	
Operating results before depreciation and amortisation (EBITDA)	26'661	31'100	-14.3
EBITDA in % of net turnover	10.0%	11.0%	
Depreciation	-9'752	-10'552	
Amortisation	-3'964	-3'964	
Operating result (EBIT)	12'945	16'584	-21.9
EBIT in % of net turnover	4.9%	5.9%	
Financial results	-6'961	-6'153	
Extraordinary / non-recurring expenses	-2'161	-3'244	
Result before taxes (EBT)	3'823	7'187	-46.8
EBT in % of net turnover	1.4%	2.5%	
Taxes	-1'892	-2'147	
Net income	1'931	5'040	-61.7
Net income in % of net turnover	0.7%	1.8%	

Consolidated Balance Sheet in 1000 CHF	31 Dec 2015	in %	31 Dec 2014	in %	Change.	in %
Assets						
Cash and cash equivalents	18'581		10'082			
Other current assets	102'222		115'093			
Current assets	120'803	47.4	125'175	46.6	-4'372	-3.5
Financial assets	1'639		1'643			
Tangible fixed and intangible assets	132'588		141'990			
Non-current assets	134'227	52.6	143'633	53.4	-9'406	-6.5
Total assets	255'030	100.0	268'808	100.0	-13'778	-5.1
Equity and liabilities						
Financial liabilities	94'239		95'086			
Other current liabilities	33'784		38'101			
Other non-current liabilities	16'359		15'177			
Total liabilities	144'382	56.6	148'364	55.2	-3'982	-2.7
Shareholder loan	40'613	15.9	40'583	15.1	30	0.1
Share capital	19'260		19'260			
Capital reserves	26'043		25'969			
Retained earnings (incl. currency translation differences)	24'732		34'632			
Total equity	70'035	27.5	79'861	29.7	-9'826	-12.3
Total equity and liabilities	255'030	100.0	268'808	100.0	-13'778	-5.1

Contact

Peter Schmitter, CFO Bauwerk Boen Group

Email: peter.schmitter@bauwerk-boen.com, phone +41 71 747 72 94

About Bauwerk Boen Group

By combining the two leading parquet manufacturers Bauwerk Parkett AG and Boen AS as of 22 May, 2013, 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 emerged. With sold volumes of around 9.4 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 largely independent brands Bauwerk and Boen. The core markets Switzerland, Norway and Germany as well as Austria, the UK, France and the US are being served by local subsidiaries. The Asian Region is served from Hongkong by Bauwerk Boen Group Asia Ltd., which was established in January 2015. Administrative headquarters of the group are located in St. Margrethen/Switzerland, the production locations are concentrated in St. Margrethen and Kietaviskes/Lithuania. During the financial year 2015, the Bauwerk Boen Group generated a net turnover of CHF 267 million and employed around 1'900 people.