

Press Release

Bauwerk Boen Group more profitable in fiscal 2019

In a challenging market environment, Bauwerk Boen Group increased its profitability in the 2019 financial year despite declining sales volumes. This was due on the one hand to price increases and a better customer and product mix, and on the other hand to the efficiency measures in production that have been successfully implemented in recent years, particularly at the plant in Croatia. The Bauwerk Boen Group succeeded in expanding and maintaining its market share in a sideways moving and in some cases declining market environment. While the decline in total volumes was 3.2%, currency-adjusted turnover declined by only around 1% thanks to the price increases mentioned above. In contrast, the Bauwerk Boen Group was able to increase EBITDA by 3.3% and EBIT by 3.9%, thus widening margins to 10.5% and 6.3%, respectively. Net income amounted to CHF 12.9 million and was, encouragingly, 33.2% above the previous year's level. The Bauwerk Boen Group is confident that in the medium term it will be able to maintain turnover and further increase profitability once market developments normalize.

St. Margrethen, 29 April 2020 – Consolidated net turnover of the Bauwerk Boen Group in the year under review amounted to CHF 281.4 million, 3.6% below the previous year (CHF 292.0 million). Adjusted for exchange rate differences when applying the previous year's exchange rates, the sales decline was 0.9%. As a result of the positive operating effects mentioned above, the operating result EBITDA of CHF 29.6 million was 3.3% higher than in the previous year (CHF 28.6 million). The resulting EBITDA margin amounted to 10.5% (9.8% in the previous year) and the adjusted EBITDA margin was 10.8% (10.2%).

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 3.2% to 8.7 million square meters. The decline in volumes is largely due to the termination of cooperation with customers in Sweden and Norway whose projects had become unprofitable. Thus, the situation proved to be challenging particularly in the Scandinavian markets of Norway and Sweden, although market shares in Norway could be increased in a declining market. Overall, the revenue decline in Scandinavia was 11%, while sales in the important DACH region remained stable. The German market moved sideways and, here too, the Bauwerk Boen Group was able to increase its market shares. In the slightly declining domestic market of Switzerland, the Group was able to maintain its share.

In the export markets outside Europe, particularly Asia and the USA, which again contributed around 8% to Group sales, sales also declined by 11%.

Profitability increase in challenging environment

Despite continuing overcapacities in the European parquet industry, the Bauwerk Boen Group was able to implement price increases on selected products in the year under review. Together with the focusing on a more profitable customer and product mix as well as a normalization in the cost of materials, the Group was able to increase its gross margin. Furthermore, the extensive efficiency measures implemented over the last few years at the Durdevac plant in Croatia are beginning to pay off. As a result of the positive operating effects mentioned above, the operating result EBITDA of CHF 29.6 million was 3.3% higher than in the previous year (CHF 28.6 million). The resulting EBITDA margin amounted to 10.5% (9.8% in the previous year). Adjusted for one-off effects, mainly costs related to the efficiency improvement programs initiated in Lithuania and Croatia in 2018, and currency effects, the adjusted operating result amounted to CHF 31.2 million, corresponding to an EBITDA margin of 10.8%. In the previous year, the adjusted EBITDA margin had been 10.2%. The operating result after depreciation (EBIT) amounted to CHF 17.6 million or 6.3% of net turnover, compared to CHF 17.0 million or an EBIT margin of 5.8% in the prior year (+3.9%). Adjusted for the above-mentioned one-off and currency effects, EBIT was CHF 18.9 million or 6.6% of net turnover (previous year: 6.2%). Net income amounted to CHF 12.9 million and was, encouragingly, 33.2% above the previous year's level (CHF 9.7 million), thanks in particular to a much improved financial result from lower interest charges, significantly reduced negative exchange rate effects as well as lower extraordinary expenses. The tax rate reduction from 17.4% to 14.5%, which has taken effect in the Canton of St. Gallen as of 1 January 2020, and the associated recognition of the corresponding positive effects in deferred taxes as at 31 December 2019, as well as the possibility of offsetting against losses carried forward thanks to positive results, particularly in Croatia, led again to a positive tax rate in the year under review.

Solid financing

The balance sheet and financial ratios of Bauwerk Boen Group as at 31 December 2019 remain solid. Including the subordinated shareholder loans, the equity ratio was at 45.0% as of the balance sheet date (43.8% as of 31 December 2018). The reduction in the balance sheet total by CHF 9.3 million to CHF 250.3 million (CHF 259.6 million) is due in particular to a reduction in financial and current liabilities.

Capital expenditures and cash flow

In the year under review, Bauwerk Boen Group succeeded in increasing its free operating cash flow to CHF 18.1 million (previous year CHF -11.1 million). Contributing to this were, on the one hand,

improved earnings and, on the other – following completion of investment programs in the production infrastructure – lower investments in tangible and intangible assets. After repayment of net liabilities including subordinated shareholder loans by a total of CHF 11.7 million, cash and cash equivalents increased by CHF 6.4 million to CHF 13.8 million (previous year CHF 7.7 million). The adjusted net debt ratio was 2.75, compared to 3.16 in the previous year.

Outlook 2020

Due to trade and economic developments that are currently difficult to predict, the latter not least in connection with the outbreak of the corona virus, the Bauwerk Boen Group is presently refraining from providing an outlook for the current year. However, thanks to its comprehensive product portfolio, its good market presence and the efficiency measures introduced and already implemented in production, the Group believes to be in a good position to maintain turnover and further expand profitability in the medium term, provided the situation normalizes.

Consolidated Income Statement			
in 1000 CHF	2019	2018	Change in %
Net turnover	281'383	291'998	-3.6
Material and goods	-132'066	-141'948	
Personnel costs	-64'063	-63'019	
Other operating costs	-55'682	-56'606	
Other revenues	1'706	875	
Other expenditures (incl. restructurings)	-1'689	-2'661	
Operating results before depreciation and amortisation (EBITDA)	29'589	28'639	3.3
EBITDA in % of net turnover	10.5%	9.8%	
Depreciation	-11'961	-11'678	
Operating result (EBIT)	17'628	16'961	3.9
EBIT in % of net turnover	6.3%	5.8%	
Financial results	-4'259	-6'520	
Extraordinary / non-recurring expenses	-752	-1'439	
Result before taxes (EBT)	12'617	9'002	40.2
EBT in % of net turnover	4.5%	3.1%	
Taxes	296	714	
Net income	12'913	9'716	32.9
Net income in % of net turnover	4.6%	3.3%	

Consolidated Balance Sheet in 1000 CHF	31 Dec 2019	in %	31 Dec 2018	in %	Change	in %
Assets						
Cash and cash equivalents	13'784		7'667			
Other current assets	123'158		132'077			
Current assets	136'942	54.7	139'744	53.8	-2'802	-2.0
Financial assets	2'273		2'698			
Tangible fixed and intangible assets	111'049		117'167			
Non-current assets	113'322	45.3	119'865	46.2	-6'543	-5.5
Total assets	250'264	100.0	259'609	100.0	-9'345	-3.6
Equity and liabilities						
Financial liabilities	97'757		102'053			
Other current liabilities	28'434		31'786			
Other non-current liabilities	11'519		11'995			
Total liabilities	137'710	55.0	145'834	56.2	-8'124	-5.6
Shareholder loan	30'000	12.0	37'308	14.4	-7'308	-19.6
Share capital	76'394		76'394			
Capital reserves	14'062		14'062			
Retained earnings (incl. currency translation differences)	-7'902		-13'989			
Total equity	82'554	33.0	76'467	29.5	6'087	8.0
Total equity and liabilities	250'264	100.0	259'609	100.0	-9'345	-3.6

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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 8.7 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 Durdevac/Croatia. During the financial year 2019, the Bauwerk Boen Group generated a net turnover of CHF 281 million and employed around 1'600 people.

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