

# PRESS RELEASE

## PRESSEINFORMATION

### **BRAAS MONIER WITH EXCELLENT OPERATING PERFORMANCE IN THE FIRST HALF OF 2014**

#### **Highlights first half-year and Outlook**

- Transformational capital market transactions
  - Refinancing in April 2014
  - Initial Public Offering in June 2014
- Excellent operating performance in first-half 2014
  - Solid revenue growth of 4% (like-for-like: 6%)
  - Revenues up in all product categories, strong market growth visible in some countries
  - Substantial increase in Operating EBITDA of 73% (like-for-like: 77%) and margin rising to 14.3%
  - Positive net profit achieved
  - Leverage significantly reduced to 2.3x Operating EBITDA
- Outlook for 2014 confirmed
  - Continued profitability improvement in growing markets through operating leverage and cost control
  - Strong focus on cost control in weaker markets to maintain profitability
- Top Line Growth program (TLG) introduced to focus on delivering above-market growth

## Profit & loss

(Millions of euros)

	Q2 2014	Q2 2013	change	like-for-like change
<b>Revenues</b>	<b>315.3</b>	<b>328.6</b>	<b>-4.1%</b>	<b>-2.3%</b>
<b>Gross Profit</b>	<b>98.2</b>	<b>91.8</b>	<b>6.9%</b>	<b>9.4%</b>
in % of revenues	31.1%	27.9%		
<b>Operating EBITDA<sup>(1)</sup></b>	<b>60.2</b>	<b>50.3</b>	<b>19.7%</b>	<b>22.0%</b>
in % of revenues	19.1%	15.3%		
<b>Operating income<sup>(1)</sup></b>	<b>37.4</b>	<b>27.2</b>	<b>37.7%</b>	
in % of revenues	11.9%	8.3%		
Non-operating result <sup>(1)</sup>	0.6	-16.9	>100%	
<b>EBIT</b>	<b>38.0</b>	<b>10.3</b>	<b>&gt;100%</b>	
Net financial result	-8.0	-9.7	18.1%	
<b>Profit (Loss) for the period</b>	<b>20.8</b>	<b>0.5</b>	<b>&gt;100%</b>	

<sup>(1)</sup> non-FRS-GAAP figure

	H1 2014	H1 2013	change	like-for-like change
<b>Revenues</b>	<b>565.3</b>	<b>544.3</b>	<b>3.9%</b>	<b>6.0%</b>
<b>Gross Profit</b>	<b>158.5</b>	<b>130.5</b>	<b>21.5%</b>	<b>24.5%</b>
in % of revenues	28.0%	24.0%		
<b>Operating EBITDA<sup>(1)</sup></b>	<b>80.9</b>	<b>46.9</b>	<b>72.7%</b>	<b>77.2%</b>
in % of revenues	14.3%	8.6%		
<b>Operating income<sup>(1)</sup></b>	<b>33.6</b>	<b>-0.4</b>	<b>&gt;100%</b>	
in % of revenues	5.9%	-0.1%		
Non-operating result <sup>(1)</sup>	0.7	-26.1	>100%	
<b>EBIT</b>	<b>34.3</b>	<b>-26.5</b>	<b>&gt;100%</b>	
Net financial result	-26.5	-15.8	-67.2%	
<b>Profit (Loss) for the period</b>	<b>5.2</b>	<b>-37.2</b>	<b>&gt;100%</b>	

## Other key figures

(Millions of euros)

	Q2 2014	Q2 2013	change
Volumes sold tiles in msqm <sup>(1)(2)</sup>	24.4	25.1	-2.8%
Chimneys sold in thousands of meters <sup>(1)(2)</sup>	567	613	-7.5%
Net cash from operating activities	-9.3	13.8	>-100%
Capital expenditure <sup>(3)</sup>	-8.9	-8.9	-0.4%
Net debt <sup>(4)</sup>	437.4	449.5	-2.7%

<sup>(1)</sup> non-FRS-GAAP figure

<sup>(2)</sup> Unaudited supplementary information

<sup>(3)</sup> Represents additions to intangible assets and property, plant and equipment

<sup>(4)</sup> At the end of the period, defined as long term and short term liabilities to banks minus cash and cash equivalents

	H1 2014	H1 2013	change
Volumes sold tiles in msqm	43.2	41.6	3.8%
Chimneys sold in thousands of meters	1061	1036	2.4%
Net cash from operating activities	-67.8	-90.8	-25.4%
Capital expenditure	-12.1	-13.5	-10.3%
Net debt	437.4	449.5	-2.7%

2013 figures restated for IFRS 11. Due to rounding, slight discrepancies in totals and percentage figures may occur.

“The first half of 2014 was an exceptionally successful chapter in the history of Braas Monier. Within just a few months, we managed not only to successfully refinance more than half a billion euro of debt but also took the company public,” says Pepyn Dinandt, CEO of Braas Monier. “Above all, we continued the execution of our improvement program Step 200+ initiated in 2012, started harvesting its benefits and recently launched our top line growth program (TLG) to support future above-market revenue growth. The Group has never been leaner than today. We have optimised our cost structure and improved our productivity, a clear focus that we will also keep in the future. The excellent half year performance reinforces us in our belief that we will further improve our profitability in the second half of 2014 and achieve our target of generating substantial Operating EBITDA growth for the full year.”

## Strong market growth in countries such as the UK, Poland and Sweden, moderate market growth observed in countries such as Germany, Austria and the Netherlands

The roof tiles markets in the UK and Poland have shown high growth rates to date, while more moderate growth has been seen in Germany for the first six months. The Netherlands has surprised positively in the first half of the year. In other markets, such as parts of Eastern Europe, growth has not set in yet, while in France and Italy markets have been contracting and very challenging. In

addition, the chimney markets in a number of core countries in Northern and Eastern Europe have not lived up to expectations so far. Outside Europe, in Asia & Africa, strong growth has been seen in India and South Africa, but flat market developments in China, Indonesia and Malaysia.

### **Solid revenue growth**

In both, growing and contracting markets, Braas Monier has managed through focused initiatives to outperform in a number of countries, such as Germany, the Netherlands, Malaysia, Sweden, Poland or Austria. Revenues in the first half of 2014 rose by 3.9% to € 565.3 million (H1 2013: € 544.3 million). The weakening of some currencies against the Euro, most notably in Asia & Africa, the Nordic countries and Turkey, negatively impacted revenues by € 11.2 million or 2.1%. Therefore, on a like-for-like basis, revenue growth would have stood at 6.0% in the first half of 2014. This increase was mostly driven by increased volumes in roofing tiles (+3.8%). Slightly positive average selling prices backed this positive volume growth.

Central, Northern & Eastern Europe showed the strongest revenue growth of all roofing segments within the Group, in particular in Germany and Poland. Also Western Europe, where the UK performed very strongly, recorded high growth rates, closely followed by Asia & Africa (in local currency). In a challenging environment, most of all in Italy, revenues declined in Southern Europe. The components business continued on its growth path with further improvement in the components KPI<sup>1</sup>. Revenues in Chimneys and Energy Systems were on last year's level.

The individual quarters within the first half of 2014 were impacted by seasonal effects. In the first quarter, revenues increased by 15.9% from € 215.7 million to € 250.0 million, strongly profiting from warm weather, with construction activity being performed earlier in the year than normal. The second quarter therefore contained a more pronounced seasonal correction, resulting in lower revenues. Revenues in the second quarter of 2014 were € 315.3 million, € 13.3 million or 4.1% lower than the corresponding period of the previous year. On a like-for-like basis, excluding foreign exchange effects of € 5.9 million, the decline would have been a more moderate -2.3%.

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<sup>1</sup> Components revenues in € per square meter roofing tiles sold, excluding Klöber

### **Strong focus on operating excellence**

Braas Monier has continued to increase profitability through an unwavering focus on strict control of costs. With a revenue increase of € 21.0 million in the first six months of 2014, Braas Monier was able to increase Operating EBITDA by € 34.0 million or 72.7% to € 80.9 million (H1 2013: € 46.9 million). Together with efficiency gains and on-going cost control it gives Braas Monier an Operating EBITDA margin of 14.3% and an outstanding operating leverage. In addition, the first half of 2013 still saw significant expenses related to the restructuring of the Group (€ 25.5 million), similar expenses did not occur in 2014.

In the second quarter, despite lower sales, Braas Monier was able to increase the gross profit margin and the Operating EBITDA. The gross profit margin rose from 27.9% in the second quarter of 2013 to 31.1% in the second quarter of 2014, Operating EBITDA from € 50.3 million to € 60.2 million (+19.7% or € 9.9 million).

### **Positive net profit achieved**

Braas Monier was able to record a positive net income for the period, not only in the second quarter but also in the complete first half of 2014. From January to June 2014 net income increased by € 42.4 million to deliver a profit of € 5.2 million (H1 2013 minus € 37.2 million). The months of April to June contributed € 20.4 million to that improvement (Net income of € 20.8 million in Q2 2014 versus € 0.5 million in Q2 2013).

### **Equity position strengthened, financial flexibility increased**

As a result of the capital increase of approximately € 100 million in connection with the IPO, total equity rose from € 16.2 million at 31 December 2013 to € 107.2 million at 30 June 2014.

“With the IPO proceeds we further delevered the company to 2.3x Operating EBITDA as at June and it will also bring us into the position to reach our target leverage much faster”, says Matthew Russell, CFO of the Group

“Thus we gain further financial flexibility in the implementation of our growth strategy, especially when it comes to expanding our existing product portfolio and making opportunistic acquisitions in our core regions.” Pepyn Dinandt, CEO of Braas Monier adds.

For the end of 2014, Braas Monier is targeting for a leverage ratio, defined as net debt to Operating EBITDA, of below 2.0x. Today, the financial liabilities of the Group mainly consist of a Senior Secured Floating Rate Note of € 315 million and the remaining Term Loan B amounting to € 200 million. Both instruments mature in 2020. Further financial flexibility is provided by the currently completely undrawn Revolving Credit Facility of € 100 million.

### **Further initiatives for above-market growth**

With the Top Line Growth (TLG) program, Braas Monier has started a multi-year group-wide program to achieve sustainable above-market revenue growth. The program focuses on the product portfolio, further development of the services the company provides to its customers, rolling out best practices in Sales & Marketing, as well as capacity expansion in high growth markets and value-creating bolt-on M&A transactions.

With the current set-up, existing initiatives and TLG, Braas Monier is perfectly positioned to profit significantly from further growth in its markets in the short and medium term as well as from megatrends such as ever rising demand for energy efficient building envelopes through its components business.

### **Outlook for 2014 confirmed**

Although to date the market performances in Europe has been very uneven, market research consensus foresees growth to happen in the European residential building sector already in 2014, with a further acceleration in the following years.

For the second half of the year, management anticipates strong growth to continue in the UK and Poland. The German market is still foreseen to grow in 2014 with a low single-digit percentage figure. The French market is expected to decline in the second half of the year and in the light of limited visibility, management has assumed that Italy will also stay difficult. For Malaysia and China, management assumes a flat development, while India and Indonesia should experience higher growth rates after major political elections have meanwhile taken place. For South Africa, the current growth path is expected to continue. The components business is expected to further profit from its strong position in the market and from the rising demand for energy efficient building envelopes. The revenue outlook for Chimneys and Energy Systems is positive for the second half of 2014.

For the full year 2014, Braas Monier is assuming a slight revenue growth for the Group close to the growth rate reached in the first six months, driven by volume and price increases. The Company will continue focusing at implementing further TLG initiatives attempting to outperform general market developments.

From a cost perspective management expects moderate increases in input costs (raw materials and wage inflation). The fixed cost structure will be positively impacted by the roll-over effects from headcount reductions that took place in 2013 under the framework of the restructuring program (Step 200+). The majority of this effect has already taken place in the first half of 2014. Management does not expect operational restructuring costs in 2014, however, some provisions made in 2013 will be paid in cash in 2014. Non-recurring financial expenses in 2014 will consist primarily of refinancing cost and transaction costs for the Initial Public Offering.

Based on the described revenue growth assumptions as well as in the light of efficiency gains and improved cost structure including roll-over-effects from Step 200+, management is confident that the Group will further improve its profitability in the second half of 2014, leading to a substantial increase in Operating EBITDA in 2014.

Looking beyond 2014, in principle management is very positive in regards to the residential market development in continental Europe, Asia and South Africa. However, political issues, such as the crisis in the Ukraine or Russian sanctions might negatively influence future developments. The same is true for European or national governmental policies, such as the current political debate in Germany on limiting rental price increases. On a positive note, governmental policies, such as the 'help to buy loan scheme' in the UK clearly had a positive impact on the market and similar programs are also being contemplated in France.

## **About Braas Monier**

Braas Monier Building Group is a leading manufacturer and supplier of pitched roof solutions, including roof tiles and roofing components, in Europe and parts of Asia and South Africa. The Group covers all steps of the manufacturing process, offering a comprehensive range of concrete and clay tiles for pitched roofs and complementary roofing components as well as a wide range of ceramic and steel chimneys and energy systems solutions. Braas Monier had operations in 36 countries, 107 production facilities and employed about 7,400 people, as of 31 December 2013. The Company is headquartered in Luxembourg.

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