

First half 2020 results

September 09, 2020 – 6.00pm CEST

> Sales	€726 m	(-17.9% vs. H1 2019)
> EBITDA	€19 m	(2.6% of sales)
> Operating cash flow	+€81 m	

On September 8, 2020, the Board of Directors chaired by Éric Jacquet examined the consolidated financial statements for the six months ended June 30, 2020, on which the Statutory Auditors had conducted a limited review.

€m	Q2 2020	Q2 2019	H1 2020	H1 2019
Sales	313	424	726	884
Gross margin	67	100	161	204
% of sales	21.5%	23.7%	22.2%	23.1%
EBITDA¹	3	23	19	47
% of sales	0.9%	5.5%	2.6%	5.3%
Adjusted operating income/(loss)¹	(10)	15	(3)	32
% of sales	-3.2%	3.5%	-0.4%	3.6%
Operating income/(loss)	(14)	13	(7)	31
Net income/(loss) (Group share)	(15)	6	(15)	18

¹ Adjusted for non-recurring items. The activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them. The report is available at corporate.jacquetmetals.com.

General comments

The first half of 2020 was marked by the COVID-19 epidemic, which disrupted the operations of all Group divisions to differing degrees.

Accordingly, Group sales amounted to €726 million, down -17.9% compared to H1 2019 (Q2: -26.1%), while EBITDA came to +€19 million (Q2: +€3 million) and operating cash flow totaled +€81 million.

As such, the Group has improved its financial structure compared to 2019 year-end and ended the period with a debt-to-equity ratio (gearing) of 38%.

IMS group, the division specializing in the distribution of engineering steels, suffered both from the slowdown in manufacturing since 2019, particularly in Germany, its main market, and from its strong foothold on Southern European markets particularly impacted by the COVID-19 crisis (this region accounts for 34% of IMS group sales compared to 25% for JACQUET and 6% for STAPPERT).

In this context, IMS group first half sales are down -26.2% (Q2: -35.1%) versus H1 2019.

More resilient in the first quarter, the JACQUET and STAPPERT divisions, which distribute stainless steels to technically and geographically diversified markets, posted first half sales down -8.8% (Q2: -14.5%) and -9.3% (Q2: -18.4%) respectively versus H1 2019.

In a still uncertain macroeconomic and health environment, current market conditions are still challenging, characterized by low demand, and the Group does not expect to see a significant improvement over the coming weeks and months.

All measures and initiatives required in order to limit the impacts of the crisis on operating income and cash have been implemented, however without jeopardizing the Group's development.

As far as possible, the Group is making use of existing short-time working arrangements or equivalent schemes in Europe and North America.

Meanwhile, savings plans have been implemented in all divisions. These plans should generate full-year savings of around €8 million.

First half 2020 sales and earnings

Consolidated sales amounted to €726 million, down -17.9% compared to H1 2019, including the following effects:

- > volumes sold: -16.8% (Q1: -9.8%; Q2: -24.4%);
- > prices: -1.1% (Q1: -0.5%; Q2: -1.7%). Q2 2020 prices were stable compared to Q1 2020.

Gross margin amounted to €161 million (Q1: €94 million; Q2: €67 million) and represented 22.2% of sales (Q1: 22.8%; Q2: 21.5%) compared to 23.1% in H1 2019.

Current operating expenses (excluding depreciation and provisions) amounted to €142 million, down €15 million (-9.3%) compared to H1 2019.

This reduction is mainly due to the adjustment of variable expenses in connection with the slowdown in business and the implementation of flexible staff working arrangements. These measures resulted in a €4 million reduction in personnel expenses in the first half.

EBITDA came to €19 million (2.6% of sales) compared to €47 million (5.3% of sales) in H1 2019.

Lastly, in H1 2020 the Group recorded depreciation expenses totaling €17.7 million and provision charges of €11 million, mostly related to saving plans.

After recognition of these depreciation and provisions, the Group posted a first half operating loss of -€7.5 million (Q2: -€13.8 million) and a net loss (Group share) of -€15 million (Q2: -€15 million).

Financial position

At June 30, 2020, net debt amounted to €132 million, compared to €175 million at the end of December 2019.

The €42 million decrease was mainly due to the reduction in operating working capital (25% of sales at June 30, 2020, compared to 25.8% at the end of 2019), mainly due to the adaptation of inventory levels to new market conditions (inventories down €56 million to €387 million at June 30, 2020).

Capital expenditure for the first half amounted to €19 million, namely comprising the acquisition of the main IMS group distribution center in Italy.

With a net debt to equity ratio (gearing) of 38% (46% at 2019 year-end and 57% at 2018 year-end), €397 million of cash and substantial lines of credit (€739 million, €210 million of which is undrawn), the Group is in a solid financial position to weather the present situation.

Furthermore, in June 2020 the maturity of the €125 million syndicated loan (€110 million undrawn) was extended by one year to June 2023.

Lastly, in France, the Group has not requested a payment extension for taxes and levies and has not taken out any loans guaranteed by the French state.

H1 2020 earnings by division excluding impacts of IFRS 16

	JACQUET		STAPPERT		ims	
	Stainless steel quarto plates		Stainless steel long products		Engineering steels	
€m	Q2 2020	H1 2020	Q2 2020	H1 2020	Q2 2020	H1 2020
Sales	76	163	99	230	142	339
Change vs. 2019	-14.5%	-8.8%	-18.4%	-9.3%	-35.1%	-26.2%
Price effect	-3.5%	-0.2%	-0.7%	-0.1%	-1.4%	-2.0%
Volume effect	-11.0%	-8.6%	-17.7%	-9.3%	-33.8%	-24.3%
EBITDA^{1,2}	0	5	3	8	(6)	(5)
% of sales	0.2%	3.1%	3.0%	3.7%	-4.2%	-1.5%
Adjusted operating income/(loss)²	(3)	0	2	7	(9)	(9)
% of sales	-3.5%	0.1%	1.7%	2.9%	-6.5%	-2.7%

¹ In H1 2020, non-division operations and the application of *IFRS 16 – Leases* contributed €2 million and €9 million to EBITDA respectively.

² Adjusted for non-recurring items. The activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them and is available at corporate.jacquetmetals.com.

JACQUET specializes in the distribution of stainless steel quarto plates. The division generates 69% of its business in Europe and 25% in North America.

Sales amounted to €163 million, down -8.8% from €179 million in H1 2019:

- > volumes: -8.6% (Q2: -11%);
- > prices: -0.2% (Q2: -3.5% vs. Q2 2019 and -4.1% vs. Q1 2020).

Gross margin amounted to €45 million and represented 27.4% of sales (Q2: 24.5%) compared to €54 million (30.2% of sales) in H1 2019.

EBITDA amounted to €5 million (Q2: €0.2 million) representing 3.1% of sales, compared to €13 million (7.2% of sales) in H1 2019.

STAPPERT specializes in the distribution of stainless steel long products in Europe. The division generates 41% of its sales in Germany, the largest European market.

Sales amounted to €230 million, down -9.3% from €254 million in H1 2019:

- > volumes: -9.3% (Q2: -17.7%);
- > prices: -0.1% (Q2: -0.7% vs. Q2 2019 and +0.4% vs. Q1 2020).

Gross margin amounted to €45 million and represented 19.6% of sales (Q2: 20.2%) compared to €50 million (19.8% of sales) in H1 2019.

EBITDA amounted to €8 million (Q2: €3 million) representing 3.7% of sales, compared to €10 million (4.1% of sales) in H1 2019.

IMS group specializes in the distribution of engineering steels, mostly in the form of long products. The division generates 46% of its sales in Germany, the largest European market.

Sales amounted to €339 million, down -26.2% from €460 million in H1 2019:

- > volumes: -24.3% (Q2: -33.8%);
- > prices: -2.0% (Q2: -1.4% vs. Q2 2019 and +0.8% vs. Q1 2020).

Gross margin amounted to €72 million and represented 21.1% of sales (Q2: 20.5%) compared to €100 million (21.8% of sales) in H1 2019.

EBITDA amounted to -€5 million (Q2: -€6 million), representing -1.5% of sales, compared to €14 million (3.0% of sales) in H1 2019.

Key financial information

Income statement

€m	Q2 2020	Q2 2019	H1 2020	H1 2019
Sales	313	424	726	884
Gross margin	67	100	161	204
% of sales	21.5%	23.7%	22.2%	23.1%
EBITDA¹	3	23	19	47
% of sales	0.9%	5.5%	2.6%	5.3%
Adjusted operating income/(loss)¹	(10)	15	(3)	32
% of sales	-3.2%	3.5%	-0.4%	3.6%
Operating income/(loss)	(14)	13	(7)	31
Net financial expense	(3)	(3)	(6)	(6)
Corporate income tax	1	(4)	(0)	(8)
Net income from discontinued operations	–	1	–	2
Minority interests	(0)	(1)	(1)	(2)
Net income/(loss) (Group share)	(15)	6	(15)	18

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Cash flow

€m	H1 2020	H1 2019
Operating cash flow before change in working capital	11	41
Change in working capital	70	10
Cash flow from operating activities	81	51
Capital expenditure	(19)	(13)
Asset disposals	1	0
Dividends paid to shareholders of Jacquet Metals SA	–	–
Interest paid	(6)	(6)
Other movements	(15)	25
Change in net debt	42	57
Net debt brought forward	175	215
Net debt carried forward	132	158

Balance sheet

€m	30.06.20	31.12.19
Goodwill	66	66
Net non-current assets	152	143
Right-of-use assets	78	85
Net inventory	387	442
Net trade receivables	155	152
Other assets	88	91
Cash & cash equivalents	397	206
Total assets	1,323	1,186
Shareholders' equity	352	379
Provisions (including provisions for employee benefit obligations)	107	99
Trade payables	178	178
Borrowings	529	381
Other liabilities	79	63
Lease liabilities	78	86
Total equity and liabilities	1,323	1,186

Activity Report available: corporate.jacquetmetals.com
September 30, 2020 earnings: November 18, 2020 after close of trading

Jacquet Metals is a European leader in the distribution of specialty steels. The Group operates and develops a portfolio which currently consists of three brands:

JACQUET stainless steel quarto plates - **STAPPERT** stainless steel long products - **IMS group** engineering steels.

With a headcount of 3,006 employees, Jacquet Metals has a network of 103 distribution centers in 25 countries in Europe, China and North America.