



Mimizan, 24 September 2020

1st half results of 2020

At the meeting on 24 September chaired by Dominique Coutière, Gascogne's Board of Directors examined the accounts for the first half of 2020. The accounts underwent a limited audit by the statutory auditors.

The Covid-19 health crisis logically influenced business starting in mid-March, although overall, the Group was able to ensure the continuity of its operations and the quality of its services in accordance with the health rules recommended by the authorities. Only the paper mill had to stop its activity for nearly three weeks between mid-March and early April.

During this period, the Packaging Division showed resilience with sales down by only 6.2%, thanks to its presence in the human and animal agri-food and health markets, which remained dynamic.

The Wood Division was more significantly affected, in view of the crisis' impact on its outlets (decoration shops closed, work on construction sites stopped).

In the end, half-year sales dropped very moderately, by 10% in the first half.

Despite this decline in activity, the Group has managed to improve its results, as the Packaging Division performed well. This compensated for the losses of the Wood Division, which represents only 10% of consolidated sales. The Group is reaping the benefits of its long-term industrial and commercial policy, its rigorous management and its massive investment in the paper mill's power generation (the biomass boiler in July 2016 and the electricity generation turbines in November 2019 for a total amount of around €50 million), which allows significant revenue to be generated repeatedly.

The Group also sought to preserve its financial position during this period. Cash as at 30 June 2020 amounts to €57.7 million after receipt of the €22 million State-Guaranteed Loan. Net debt decreased slightly over the 1st half thanks to a good level of EBITDA, controlled investments and decreased WCR.

Income statement

In €m	1st half-year 2020	1st half-year 2019
Sales	182.7	204.1
EBITDA	14.1	11.0
Underlying operating profit	6.4	4.5
Operating profit	2.6	4.9
Net financial items	-2.2	-2.2
Pre-tax profit	0.4	2.8
Consolidated net profit	0.4	2.8

Sales dropped by 10.5% to €182.7 million, of which 6.6% in the 1st quarter 2020 and 14.5% in the 2nd quarter 2020.

The Wood Division's sales (10% of consolidated sales) are down 36% and were strongly affected by the closure of DIY shops and the shutdown of construction sites for several weeks starting in mid-March.

Packaging Division sales (90% of consolidated sales) were down by only 6.2%.

EBITDA¹ grew by €3.1 million (i.e. nearly 30%) from €11.0 million to €14.1 million.

The **underlying operating profit** improved by €1.9 million due to the increase in EBITDA, which is mainly reduced by the increase in amortisation due to the commissioning of the new electricity turbines at the Mimizan paper mill in late 2019.

Operating profit stood at €2.6 million, down 47% compared to the 1st half of 2019, taking into account the provision recognised as a non-current expense under the Castets Site Planned Redundancy Programme.

Net financial items were stable at -€2.2 million.

The **consolidated net profit** was €0.4 million.

¹ EBITDA: Underlying operating profit + net amortisation allowances + net operating allowances and depreciation

Analysis by activity

In €m	WOOD Division		PACKAGING Division		Of which: Paper Activity		Of which: Sacks Activity		Of which: Flexible Activity	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Sales	18.7	29.2	164.0	174.9	51.7	49.4	56.2	59.3	56.1	66.0
EBITDA	(1.2)	0.4	15.2	10.6	3.9	0.3	6.0	3.8	5.1	6.2
Underlying operating profit	(1.8)	0.2	8.2	4.3	1.0	-1.7	4.0	1.8	3.1	4.2

The **Wood Division** suffered greatly during the lockdown period. Sales fell by 25% in the 1st quarter and by 46% in the 2nd quarter. Despite partial activity measures, the level of sales was too low to keep EBITDA positive. This Division was further penalised by wood prices in Aquitaine, which remain high despite a slight decline since the peak in early 2019.

The industrial restructuring project (elimination of 84 positions), which mainly includes the closure of the Castets site, was announced to the social partners at the end of February and the Planned Redundancy Programme was finalised in May.

The **Packaging Division** continued to grow with an EBITDA¹ improved by €4.1 million (up 43%)

- The **Paper Activity** increased its EBITDA by €3.6 million.
This performance could have been better had the paper mill not closed for nearly 3 weeks at the beginning of the health crisis. This unexpected event curbed expected growth. As a reminder, the basis for comparison was favourable over the half-year, taking into account the regulatory stoppage of production which had affected the 1st half of 2019.
- **The Sacks Activity** increased its EBITDA by €2.2 million (up 58%), thanks to the increase in activity at the Mimizan and Saint Herblain sack plants in France and the increase in activity at the sack plant in Greece. The industrial and commercial actions implemented have borne fruit, in a context of sustained commercial demand.
The sack plants in Germany and Tunisia have maintained a nearly constant EBITDA in less dynamic market contexts.
Overall, the Sacks Activity has been mainly unaffected by the health crisis.
- The **Flexible Activity** saw its EBITDA decrease by €1.2 million (down 19%).
Gascogne Flexible in Dax is the Packaging Division company most impacted by the health crisis, with sales down 6.5% in the 1st quarter and 13.5% in the 2nd quarter. Three markets in particular were affected: the building insulation and industrial (adhesives) markets, temporarily due to the shutdown of construction sites and the industrial slowdown, and the aerospace composites market, probably more long-term.
The results of the German site remain in line with those of the first half of 2019.

Financial structure

Balance sheet	30/06/2020	31/12/2019
Shareholders' equity (€m)	135.0	134.7
Shareholders' equity per share (€)	5.6	5.2
Net debt (€m)	107.7	112.8
Working capital requirement (€m)	94.9	96.7

Flows	1st half-year 2020	1st half-year 2019
Cash flow from operating activities (€m)	15.3	6.6
Cash flow from investing activities (€m)	(7.6)	(14.5)
Cash flow from financing activities (€m)	33.3	14.1
Variation in cash flow (€m)	41.0	6.1

Operational flows increased sharply (by €8.7 million) to €15.3 million, thanks to the increase in EBITDA and decrease in WCR over the 1st half of 2020.

These flows largely cover investment flows of €7.6 million, with half-year investments being limited by the lockdown period.

The financing flows amount to €33.3 million. This includes drawing on the capex credit line balance, drawing on the revolving credit and the implementation of the State-Guaranteed Loan, as the Group has chosen to strengthen its cash position in this uncertain context. With the extension of the semi-annual deadline for the syndicated loan, repayments were limited.

The variation in cash flow is positive at €41 million and the cash available as at 30 June 2020 amounts to €57.7 million.

Net debt decreased slightly over the half-year thanks to a good level of EBITDA, controlled investments and decreased WCR.

Outlook for 2nd half

Sales remain adequate in the 3rd quarter, but have not returned to the pre-health crisis level. There is limited and variable visibility in terms of the order book according to the activities.

The Group's commercial (resilience of most markets), industrial (industrial efficiency) and financial (liquidity and debt management) fundamentals will be assets to get through this unprecedented period.

Financial Information Officer

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About the Gascogne Group:

The Gascogne Group is the leading player in the wood industry in France, operating at every stage of the processing of forest resources, and the only player in France that is totally integrated along the complete wood-paper-processing chain. With its four close-fitting activities, the Gascogne Group is the leading multi-specialised operator in the wood industry in France, the world's leading producer of machine-glazed natural Kraft paper, the No. 3 European producer of industrial and consumer sacks and one of the world's leading producers of packaging and protection laminates.

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