



Mimizan, 29 July 2022

Gascogne pursues its capital expenditure programme with the support of its financial partners

Gascogne has announced the signing of a syndicated loan contract worth €126.8m with a banking pool and a contract worth € 50m with the European Investment Bank (EIB) to finance its Capital Expenditure programme for the 2022-2026 period, including mainly an investment in a new Paper Machine for the Mimizan site.

Since 2014, Gascogne has invested massively in its industrial facilities (the equivalent of 50% of sales) through two capital expenditure plans each worth €100m and has pursued an efficient industrial and trade/commercial policy. These joined efforts have enabled the Group to turn around. EBITDA increased threefold, from €10m in 2014 to €32m in 2021, the financial structure strengthened with net debt lower than €100m and shareholders' equity was €158 million at the end of 2021.

In order to sustain this recovery, Gascogne will step up its investment effort with more than €300m planned over the next five years: On the one hand, a new paper machine, benefiting from the latest technologies, will be acquired for a total amount of €220m (including the building and the technical environment). On the other hand, the reinforcement of the existing industrial assets will be further pursued in the 4 activities (Wood, Paper, Bags and Flexible) for more than €80m.

After more than two years of in-depth studies and discussions with several market players, which were slowed down by the health crisis and the high inflation of raw materials and energy, leading to a reassessment of the cost of the project, the Group has just entered into exclusive negotiations with a european paper machine manufacturer with the aim of finalizing the purchase agreement before the end of 2022.

This paper machine will replace 3 of the 4 existing paper machines. It will enable to optimize the quantities of paper produced by making full use of the plant's pulp production capacity, to provide the best grades of unbleached kraft paper, to better meet the packaging market demand, to improve the plant's energy efficiency and environmental performance, and finally to reduce production costs. This will ultimately improve performance and increase the Gascogne's EBITDA significantly.

To finance this ambitious investment programme, the Group has set up a financing plan with several players, including investment loans for €175m (as detailed below) and a future increase in capital of at least €10m.

The balance will be self-financed.

Syndicated loan

This €126.8m loan, issued by a group of 8 top-ranking banks, is broken down into three parts:-

- A refinancing loan of €31.8m to refinance existing bank debt, to be paid back over 7 years
- A €85m capital investment loan, to be channelled into investments planned for the 2022-2026 period, to be paid back over 10 years, and with a 3-year grace period
- A €10 m revolving loan to provide working capital

This agreement was drawn up with Société Générale Corporate & Investment Banking and Crédit Agricole Aquitaine advised Corporate & Investment Banking, as mandated arrangers and bookrunners.

Credit with the European Investment Bank (EIB)

This €50m loan is intended to finance the project of acquiring the paper machine.

It is to be paid back over 10 years with a 3-year grace period.

Other financing

In addition to these two loans, other funding is being set up: loans for a total of €20m from BPIFrance Financement with payback periods of between 7 and 10 years, and a repayable advance from the Nouvelle-Aquitaine Region worth €20m over a period of 10 years.

Finally, in order to support this programme, the Group will propose at the next 2023 Annual General Meeting, called to approve the 2022 annual and consolidated financial statements, a draft resolution for a capital increase, with shareholders' preemptive subscription right maintained, for a minimum amount of €10m, to be completed before the end of 2023.

Financial Information Officer

Julien Ellie – Chief Financial Officer Tel: +33 (0)5 58 04 28 44

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 flexible solutions.

ISIN: FR0000124414/Reuters: GASP.PA/Bloomberg: BI FP/FTSE: 460

www.groupe-gascogne.com/en/