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Mixed Aliaxis performance in HY1 2019 – Further progress on portfolio rationalisation and efficiency programs

Brussels – September 27, 2019 – Aliaxis SA ('Aliaxis', 'the Group' or 'the Company'), a global leader in the manufacturing and distribution of advanced plastic piping systems, today announced its results for the 6 months period ended June 30, 2019.

Highlights – 6 months period ended June 30, 2019

- Revenue of €1,577.1 million, an increase of 1.4% (up 0.0% in constant currency)
- Current EBITDA of €234.1 million, an increase of 8.9% (up 7.4% in constant currency) - Impact of first adoption of IFRS 16 of €16.1 million or 7.5% vs HY1 2018
- Current EBIT of €165.3 million, an increase of 2.2% (up 0.5% in constant currency)
- Net profit of €113.3 million, an increase of 23.1%, mainly explained by exceptional elements such as a capital gain on the divestment of Rheinhütte Pumpen, partially offset by some restructuring costs
- Net financial debt increased by €80 million to €855 million at June 30, 2019 - Negative impact of IFRS 16 of €122 million, partially offset by net proceeds on the Pumps divestment of €79 million
- Further progress on portfolio rationalisation:
  - Completed divestment of Rheinhütte Pumpen on May 1, 2019
  - Signed agreement to divest Ceramics Business on May 29, 2019
- Signed agreement to acquire Silver-Line Plastics on August 22, 2019, a US leader in the manufacturing of plastic pipe products

CEO Laurent Lenoir comments on the results:

"Despite mixed and challenging conditions in some of our main markets, we managed to deliver revenue in line with previous year. We are moving forward on portfolio rationalisation and are reinforcing our position in strategic geographies. Against the outlook of an economic slowdown, we will continue to adapt our cost structure to the ever-changing market environment. I am confident that Aliaxis is well positioned to face the challenges ahead."

Divisional review

From a market perspective, the Group continued to benefit from its presence in emerging markets, thanks to a strong performance in India. The North American business was at second best record in terms of sales, driven by strong performance in the US, partially offset by exceptional adverse weather. In EMEA, performance varied across businesses as a result of a different market context across countries and segments. An adverse economic climate in Latin America had a negative impact on our overall performance. After the double-digit growth reported in 2018, a softening market in Australasia resulted in a year-on-year sales decrease in Australia.

1. EMEA

The Europe, Middle-East and Africa division saw moderate growth.

France sales performance was overall in line with last year, predominately driven by a stagnation of renovation in the residential segment and a slowdown in residential new build.

We reported strong top line performance in the UK and Germany. The UK market growth was helped by stockpiling ahead of a possible disorderly departure from the European Union. The German building and industry markets continued to grow moderately thanks to domestic demand, while the Infrastructure market was positively oriented thanks to 2018 activity backlog for rehabilitation of utility lines (gas and water) and an increased number of house connections.

Sales in Italy and Spain were impacted by political uncertainty. Nevertheless, we reported moderate growth in the Spanish market thanks to solid demand in the sanitary and irrigation market, primarily driven by weather conditions.

2. Americas

Our North American business remained at a very high level, despite a year-on-year sales decrease from the historical record performance last year. Canada's performance was at second best record in terms of YTD sales despite negative impact from long winter and flooding rain, uncertainty around Infrastructure spending and slow economy in key regions where we operate. The US reported all-time record sales behind strong growth in the Industrial and Electrical segments.

The Latin American operations continued to face difficult economic conditions. Lower public investment in Infrastructure affected the Mexico and Peru markets. Guatemala and Costa Rica saw a slowdown in the Building segment, which in Costa Rica was aggravated by economic and fiscal uncertainty.

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3. APAC

In India, the Company is on track to achieve another year of record sales. India's growth continues to be fuelled by government spending on Infrastructure and housing related initiatives. This trend is expected to continue, despite a slowdown in GDP growth.

Softer market conditions in Australia resulted in a year-on-year sales decrease in Australasia, after the double-digit growth reported in 2018. Growth across the Australian economy slowed down. This translated into a decrease in building activity and civil markets, stock reduction at distribution and delayed project decisions, which was partially offset by favourable weather conditions for our rural and irrigation products. The continued focus on optimising cost helped to support bottom line performance.

New Zealand sales performance remained strong due to favourable market conditions and strong housing demand.

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Key Financials

Consolidated income statement			
(in € million)	**1HY2019**	**1HY2018**	**Change**
Revenue	1,577.1	1,555.6	+1.4%
Current EBITDA	234.1	214.9	+8.9%
as % on sales	14.8%	13.8%	
Current EBIT	165.3	161.8	+2.2%
as % on sales	10.5%	10.4%	
Operating income (EBIT)	193.9	158.1	+22.6%
as % on sales	12.3%	10.2%	
Profit before income taxes	178.2	132.2	+34.8%
Net result	113.3	92.0	+23.1%
attributable to:			
- non-controlling interests	0.4	5.8	
- Group equity holders	112.9	86.3	

Earnings per share			
(in €)	**1HY2019**	**1HY2018**	**Change**
Basic earnings	1.44	1.10	+31.6%

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Consolidated financial position

(in € million)	30 June 2019	31 Dec. 2018	30 June 2018
Intangible assets	802.3	792.7	806.5
Property, plant & equipment	896.2	806.1	824.8
Investment properties	3.4	3.4	4.5
Other assets	33.2	18.1	17.8
Deferred tax assets	38.3	40.2	41.2
Derivatives	49.6	49.8	42.8
Employee benefits	34.9	34.9	28.0
Assets held for sale	7.7	48.1	2.0
Assets	1,865.6	1,793.4	1,767.6
Non-cash working capital	624.0	463.3	634.3
TOTAL	**2,489.5**	**2,256.7**	**2,402.0**
Equity attributable to Group equity holders	1,403.3	1,250.9	1,628.9
Non-controlling interests	7.4	7.3	74.8
Total equity	1,410.7	1,258.2	1,703.7
Deferred tax liabilities	80.2	78.8	79.9
Employee benefits	74.3	74.1	83.0
Derivatives	15.0	11.7	12.9
Other liabilities	54.6	51.0	126.7
Liability held for sale	-	8.2	-
Net financial debt	854.7	774.7	395.7
TOTAL	**2,489.5**	**2,256.7**	**2,402.0**

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Basis of preparation

This press release includes (comments to) the unaudited interim condensed consolidated income statement and unaudited interim condensed statements of financial position for the six months period ended 30 June 2019.

The accounting policies applied in the preparation of the consolidated condensed interim financial information are consistent with those followed in the preparation of Aliaxis' annual financial statements for the year ended 31 December 2018, except for the adoption of IFRS 16 – Lease accounting.

Aliaxis adopted IFRS 16 on 1 January 2019, in accordance with its transitional provisions, using the modified retrospective approach. Hence, Aliaxis opted to measure the right-of-use asset at an amount equal to the lease liability at opening without restatement of the comparative figures.

Financial review

Sales

In the 6 months period ended June 30, 2019, Aliaxis reported revenue of €1,577.1 million, an increase of 1.4% versus last year. At constant exchange rate, sales are in line with the same period last year. Foreign exchange impacted the Group's sales positively by 1.4%, due to the strengthening of the major trading currencies against the EUR, mainly USD (6.7%) and CAD (2.5%).

Current EBITDA

EBIT for the 6 months period ended June 30, 2019, was €193.9 million, an overall increase of €35.7 million or 22.6% versus last year. At constant exchange rates, EBIT increased by €33.5 million as exchange rate movements had a negative impact of 1.7%. The increase in EBIT at constant rate was mainly driven by non-recurring items.

Aliaxis is, in the ordinary course of its activities, from time to time involved in technical claims. Operating income in HY1 benefited above average from the settlement of one of such claims.

Non-recurring items amounted to a net exceptional income of €29 million compared to a net exceptional cost of €4 million in the comparable period last year. The net exceptional income in 2019 is predominately driven by the capital gain on the divestment of Rheinhütte Pumpen, partially offset by some restructuring costs.

When excluding the impact of non-recurring items, current EBIT amounted to €165.3 million, an increase of €3.5 million or 2.2% versus last year. The current EBIT margin amounted to 10.5% in line with last year.

Excluding depreciation and amortisation, current EBITDA amounts to €234.1 million, an overall increase of €19.2 million or 8.9%. At constant exchange rates, current

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EBITDA increased by €16.1 million or 7.4% as exchange rate movements had a positive impact of 1.5%. At constant exchange rates and excluding the IFRS 16 impact (€16.1 million), current EBITDA amounted to €218.0 million and represented an increase of €3.1 million compared to the same period last year.

Net Profit

The net profit attributable to the Group's equity holders amounted to €112.9 million, representing an increase of €26.7 million compared to the 6 months' period ended June 30, 2018, driven by net exceptional income of €29 million.

Financial position

Net Financial Debt

Net financial debt increased by €80 million to €855 at June 30, 2019, mainly resulting from the recognition of operating leases in financial debt following the application of the new IFRS 16 lease standard (€122 million) and growth driven by the peak working capital in line with the historical seasonality pattern. The increases have been partially offset by the net proceeds on the Pumps divestment of €79 million.

Outlook HY2 2019

Year-on-year growth at constant currency is anticipated to slow down in the second half of 2019 due to expected softening of market conditions in most of the regions in which we operate.

The Board of Directors and management believe that the Company is well positioned to capture further opportunities, both organically and through M&A, as well as to face specific market circumstances in the remainder of year.

Subsequent events

On August 22, 2019, Aliaxis entered into a share purchase agreement to acquire Silver-Line Plastics. Silver-Line Plastics is a US owned and operated company that manufactures quality plastic pipe with a comprehensive product offering, featuring PVC, CPVC, PE. and PEX. It owns production facilities in Asheville (North Carolina), Lawton (Oklahoma) and Fort Pierce (Florida). The sale is still subject to regulatory approval, but the aim is to complete the transaction in the course of October.

As announced in May, our Ceramics business has been acquired by Kyocera Corporation, the world leader in ceramics for industrial equipment, communications devices, medical devices and renewable energy equipment. The transaction was effectively closed on September 2, 2019.

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Aliaxis is a global leader in advanced plastic piping systems for building, infrastructure, industrial and agriculture applications. The company provides communities around the world with sustainable innovative solutions for water and energy, leading the industry in a way that anticipates the rapidly evolving needs of its customers and of society. With a global workforce of about 16,100 employees, Aliaxis offers specific solutions that meet our customers' most demanding needs across the globe. Aliaxis is active through leading local brands and operating in over 45 countries, combining local solutions with global innovation and operational excellence. The company is privately owned, with its global headquarters in Brussels, Belgium.

More on www.aliaxis.com

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