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Encouraging performance in context of COVID-19. Strong liquidity position, supported by effective crisis management and further portfolio rationalisation

Brussels – September 25th, 2020 – Aliaxis SA, 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, 2020.

Highlights – 6 months period ended June 30, 2020

- Revenue of €1,369.0 million, down 13.2%
- Current EBITDA of €188.8 million, down 19.4%
- Current EBIT of €115.4 million, down 30.2%
- Net profit of €163.3 million, up 44.1%
- Net financial debt decreased by €190.3 million to €580.7 million at June 30, 2020
- Pro-forma leverage of 1.3x CEBITDA
- Closed divestment of Harrington Industrial Plastics on March 3, 2020

Acting CEO Koen Sticker comments on the results:

"After a promising start early 2020, we were severely impacted by a significant drop in demand following COVID-19 lockdowns from March to May. Immediate measures were taken globally and locally to protect our people, secure our operations and safeguard our financial position. We regained some momentum in May and June, resulting in encouraging H1 results. This difficult period demonstrated the strength of our people and I would like to thank each of them for the high level of commitment they have shown. Even though visibility for the 4th quarter is still low, I am confident in our ability to deliver sound performance in the second half of the year."

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Aliaxis welcomes a new CEO

Aliaxis is proud to welcome, as of October 1st, Mr. Eric Olsen as its new Chief Executive Officer. Mr. Olsen, former CEO of LafargeHolcim, will bring a wealth of experience to lead the company through the next phase of its transformation.

COVID-19 and Aliaxis' response

As the health and safety of our employees is Aliaxis' number one priority, we established crisis management teams in all of our operations as soon as COVID-19 started to spread globally. The local crisis management teams, supported by the global one, took the lead in efficiently managing this unprecedented COVID-19 situation. They issued guidance and support on how to protect our people and our business. New protocols and ways of working were efficiently introduced, safeguarding the health and safety of our teams.

Because of the magnitude of the COVID-19 crisis, some Aliaxis employees were personally impacted. Inspired by our company value "Commitment to Care," Aliaxis created the "Aliaxis People Solidarity Fund" in close collaboration with the King Baudouin Foundation, to support colleagues in need. The Board of Directors and Senior Management have contributed 20% of their Q2 compensation to this fund, and Aliaxis employees are also contributing through donations. The employee donations are being matched by the Company.

To protect Aliaxis' financial health, dedicated programs were put in place to control our cost and preserve cash. Despite lower volumes and operational inefficiencies due to the closing and re-opening of plants, the Group also aimed to deliver further cost savings by optimising manufacturing and supply chain processes.

Trading update

Aliaxis' results in the first two months of 2020 were ahead of last year, driven by strong performance across all our divisions. The COVID-19 pandemic started to impact our business as of mid-March, following a significant drop in demand and forced lockdowns in most regions where we operate. Other regions, such as the US, continued to experience strong demand throughout H1.

We immediately took action to reduce our cost base, supported our customers in every way we could and proactively managed the volatility of demand. The impact of these actions, pent-up demand in some divisions and continued strong performance in others, drove recovery in May that accelerated further in June. This resulted in a positive financial performance in Q2, despite the current environment.

Aliaxis' balance sheet is healthy and liquidity headroom is comfortable. Efforts to reduce costs, optimise working capital and delay non-critical investments, in addition to the divestment of Harrington Industrial Plastics early March, contributed to reducing our net financial debt by €190.3 million compared to the end of 2019.

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Pro-forma leverage at the end of June was 1.3x CEBITDA vs 1.6x CEBITDA at prior year-end.

1. EMEA

Top line growth in January and February, driven by building segment demand in France and Germany, was halted mid-March by lockdowns in France, Italy and Spain, followed in April by Germany, the UK and Eastern Europe. Several plants had to cease production, and sales dropped abruptly in all regions and markets apart from Germany.

As economies re-opened mid-May, sales began to recover, particularly in the French, Italian and Spanish building segments. However, industry and infrastructure segments remained slow.

2. Americas

Our North American business reported solid performance throughout H1. Our US business outperformed 2019, with sales being driven by strong growth in the municipal segment, benefitting from projects initiated in 2019. The plumbing and electrical segments also performed well, driven by retail. The integration with Silver-Line Plastics is progressing as planned and delivering the expected synergies. In Canada, the municipal segment was challenging due to an economic slow-down, as well as falling energy prices. Other segments continued to perform well.

In January and February, the Latin American business delivered moderate growth compared to prior year but was heavily impacted by the pandemic thereafter. Peru, Panama and Colombia suffered severe lockdowns and plants had to close. In Chile, measures were less restrictive. The building and infrastructure segments suffered the most, while the irrigation segment performed well during this period. Economic activity slowly restarted in May and June (Colombia and Chile), following a gradual relaxation in lockdown measures in several countries. Costa Rica continues to suffer from a weak economy and fiscal uncertainty.

3. APAC

Australia and New Zealand also had an encouraging start of the year, with a satisfactory top line performance due to good market conditions across the division. Lockdowns and plant closures in New Zealand however affected sales and performance in March. The same was true in Australia (except for the plumbing and mining segments). Lockdowns were relaxed from mid-May, releasing pent-up demand in the market. Strong cost management measures, combined with a drive to complete open projects, helped to limit the impact on performance.

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4. India

As of mid-March, strict lockdown measures halted the solid growth of early 2020 and impacted performance significantly. Despite some recovery in May, sales remain below last year as demand remains subdued. The agriculture business remained stable, partially mitigating the sales drop in plumbing.

Key Financials

Consolidated income statement			
(in € million)	**1HY2020**	**1HY2019**	**Change**
Revenue	1,369.0	1,577.1	-13.2%
Current EBITDA	188.8	234.1	-19.4%
as % on sales	13.8%	14.8%	
Current EBIT	115.4	165.3	-30.2%
as % on sales	8.4%	10.5%	
Operating income (EBIT)	213.2	193.9	+10.0%
as % on sales	15.6%	12.3%	
Profit before income taxes	199.2	178.2	+11.8%
Net result	163.3	113.3	+44.1%
attributable to:			
- non-controlling interests	0.5	0.4	
- Group equity holders	162.7	112.9	

Earnings per share			
(in €)	**1HY2020**	**1HY2019**	**Change**
Basic earnings	2.07	1.44	+44.0%

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Consolidated financial position

(in € million)	30 June 2020	31 Dec. 2019	30 June 2019
Intangible assets	784.0	814.7	802.3
Property, plant & equipment	897.6	963.5	896.2
Investment properties	3.3	3.5	3.4
Other assets	32.1	34.4	33.2
Deferred tax assets	38.1	35.2	38.3
Derivatives	58.0	50.4	49.6
Employee benefits	45.4	48.7	34.9
Assets held for sale	6.8	6.1	7.7
Assets	1,865.3	1,956.5	1,865.6
Non-cash working capital	421.6	429.0	624.0
TOTAL	**2,286.9**	**2,385.5**	**2,489.5**
Equity attributable to Group equity holders	1,495.7	1,401.3	1,403.3
Non-controlling interests	7.7	7.2	7.4
Total equity	1,503.4	1,408.5	1,410.7
Deferred tax liabilities	68.2	66.9	80.2
Employee benefits	80.3	79.0	74.3
Derivatives	10.6	13.8	15.0
Other liabilities	43.6	46.3	54.6
Liability held for sale	-	-	-
Net financial debt	580.7	771.0	854.7
TOTAL	**2,286.9**	**2,385.5**	**2,489.5**

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Basis of preparation

This release includes the unaudited interim condensed consolidated income statement and unaudited interim condensed statements of financial position for the six months period ended June 30, 2020.

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 December 31, 2019.

Financial review

Revenue

In the 6 months period ended June 30, 2020, Aliaxis reported revenue of €1,369 million, a decrease of 13.2% versus last year, predominately driven by the COVID-19 outbreak. At constant exchange rate and scope, sales decreased by 10.4%. Foreign exchange impacted the Group's sales negatively by 1.1%, due to the weakening of the major trading currencies against the EUR, mainly AUD (-4.8%) NZD (-4.6%) and INR (-3.3%), partly offset by USD (+2.2%). Scope change negatively impacted reported sales by 1.7%, compared to 2019.

Current EBITDA

EBIT for the 6 months period ended June 30, 2020, was €213.2 million, an overall increase of €19.4 million or 10% versus last year. At constant exchange rates and scope, EBIT increased by €14.5 million. The increase in EBIT at constant rate was mainly driven by adjusted (non-recurring) items.

Adjusted items amounted to a net income of €97.8 million compared to a net income of €28.6 million in the same period last year. The increase in 2020 is predominately driven by the capital gain on the divestment of Harrington, partially offset by some restructuring costs.

When excluding the impact of adjusted items, current EBIT amounted to €115.4 million, a decrease of €49.9 million or 30.2% versus last year. The current EBIT margin amounted to 8.4% compared to 10.5% last year.

Current EBITDA amounts to €188.8 million, an overall decrease of €45.3 million or 19.4%. At constant exchange rates and scope, current EBITDA decreased by €48.3 million or 21.5%. Exchange rate movements had a negative impact of 0.3%, offset by the positive impact of scope change for 2.5%.

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Net Profit

The net profit attributable to the Group's equity holders amounted to €162.7 million, representing an increase of €49.8 million compared to the 6 months' period ended June 30, 2019, predominately driven by the capital gain on the divestment of Harrington.

Financial position

Net Financial Debt

In response to the COVID-19 outbreak, Aliaxis took immediate action to reduce costs, optimise working capital and delay certain investments. Working capital management measures put in place led to a decrease in trade working capital of €97 million, compared to June 30, 2019. In addition, the divestment of Harrington Industrial Plastics early March increased our liquidity.

As a result, our net financial debt decreased by €190.3 million to €580.7 million at June 30, 2020 compared to December 31, 2019. Pro-forma leverage amounts to 1.3x CEBITDA at that date, demonstrating significant covenant headroom, compared to 1.6x CEBITDA at the end of 2019.

Aliaxis has a strong balance sheet, €1.4 billion of committed financing and ample liquidity headroom, with more than €700 million of cash immediately available (including undrawn lines).

Dividend proposal

In the very particular circumstances of the COVID-19 pandemic and the lack of visibility and the uncertainty on business impact, the Aliaxis Board had proposed to the Aliaxis shareholders meeting in May 2020 to distribute a gross dividend of EUR 0.2935 per share. This proposal, which was a reduction of 50% compared to the dividend paid in 2019, was accepted and the dividend was paid on July 1, 2020.

After considering the present half-year results as well as the recent business performance, the Board decided to convene the shareholders to an extraordinary meeting that will be held on November 24, 2020 to propose a second dividend distribution of EUR 0.2935 gross per share (EUR 0.20545 net per share, taking into account a Belgian withholding tax of 30%). The convocation will be published shortly.

Outlook

As the business environment is still highly affected by the strong decrease in GDP during the second quarter and the varied patterns of economic recovery from the pandemic, the outlook for the 2nd half of 2020 remains uncertain. In this context, the Group will continue to monitor the situation closely and adapt according to the evolution of the market.

Q3 provides encouraging signs in terms of further recovery, with July and August results being above last year. While this performance is expected to uphold at least until the end of Q3, it is in the current circumstances not possible to reliably forecast Q4.

We are persuaded that our current financial position and effective response to COVID-19 will allow us to comply with our financial covenants on a full year basis.

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 15,500 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 40 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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