sgl carbon

Press Release

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No significant impact yet from Covid-19 pandemic in the first quarter 2020: SGL Carbon achieves results in line with initial expectations

- Group sales revenues at 247 million euros approximately 15 percent below prior year's level, but slightly above the guidance corridor (220 to 240 million euros) as published in March 2020
- Decline in Group sales due to changes in the lithium-ion battery supply chain in the business unit Graphite Materials & Systems (GMS) as well as restructuring-driven lower sales in Textile Fibers in the business unit Composites – Fibers & Materials (CFM)
- Group recurring EBIT approximately 50 percent below prior year level at 9 million euros and at the upper end of the guidance corridor (mid to high single-digit million euros amount)
- Due to timely implemented measures and in contrast to the usual seasonal pattern, liquidity of approximately 150 million euros as of March 31, 2020 developed very favorably compared to year-end 2019 (137 million euros)
- Dr. Michael Majerus, Spokesman of the Board of Management of SGL Carbon: "We acted decisively and took various measures at an early stage, both to ensure the safety of our employees and to mitigate the economic impact of the pandemic."
- Guidance for the full year 2020 remains suspended due to the impacts of the Covid-19 pandemic; decline in Group sales revenue and negative Group recurring EBIT expected for the second quarter 2020

In the first quarter 2020, SGL Carbon has not yet been significantly impacted by the Covid-19 pandemic and reached sales revenues slightly above the guidance corridor of 220 to 240 million euros published on March 12, 2020. In total, Group sales at 247 million euros was approximately 15 percent below the prior year level. The development is primarily attributable to changes in the lithium-ion battery supply chain in the business unit Graphite Materials & Systems (GMS) as well as to restructuring-driven lower sales in Textile Fibers in the business unit Composites – Fibers & Materials (CFM). As planned, Group recurring EBIT decreased by approximately 50 percent to 9 million euros and thus reached the upper end of the guidance corridor of a mid to high single-digit million euros amount.

As the global measures taken to contain the pandemic led to disruptions in production and supply chains in April and early May 2020, a significant double-digit percentage decrease in Group sales revenue and a negative Group recurring EBIT are expected for the second quarter 2020.

SGL Carbon implemented various measures to counter the economic impact of the pandemic at an early stage.

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For this reason, liquidity developed very favorably compared to year-end 2019 and in contrast to the usual seasonal pattern and improved from 137 million to approximately 150 million euros.

"In these extraordinary times, we have two clear priorities: protecting the health of our employees, their families and our business partners and the responsibility for our company," says Dr. Michael Majerus, Spokesman of the Board of Management of SGL Carbon. "We acted decisively and took various measures at an early stage, both to ensure the safety of our employees and to mitigate the economic impact of the pandemic. SGL Carbon is well positioned from a financial perspective. Our strategic drivers are intact even in this period of global economic challenges. We anticipate that the demand for our solutions, especially in the areas of sustainability and digitization, will grow once the pandemic is over."

In the first quarter of 2020, sales revenues of SGL Carbon fell significantly by 14.5 percent to 246.8 (previous year: 288.8) million euros. The development is primarily attributable to the anticipated lower revenues in the GMS market segment Battery & other Energy. Restructuring-driven lower sales in the market segment Textile Fibers as well as reduced deliveries at CFM due to Covid-19 related production interruptions in customer operations, which started in March, also contributed to the decline in sales. Recurring EBIT decreased by 51.9 percent to 9.0 (previous year: 18.7) million euros as the significant decline in earnings in the reporting segment GMS could not be offset by operating earnings improvements in the reporting segment CFM and in Corporate. In the first quarter, return on capital employed (ROCE) based on recurring EBIT was at 3.1 (previous year: 5.0) percent. EBIT after non-recurring items decreased to 6.4 (previous year: 16.3) million euros in the first quarter 2020. Because of a negative foreign currency effect, net financing result decreased significantly to minus 9.4 (previous year: minus 6.2) million euros. Result before income taxes decreased from 10.1 million to minus 3.0 million euros, mainly due to the decline in EBIT and net financing result. Consolidated net result of the period amounted to minus 4.3 million (previous year: 8.9) million euros.

Composites – Fibers & Materials (CFM): Results substantially improved despite lower contribution from the At-Equity accounted investments; anticipated sales decline reflects restructuring-driven decrease in the market segment Textile Fibers

Sales revenues in the business unit CFM developed as expected at 104.5 million euros, approximately 9 percent below prior year's level (currency adjusted: minus 10 percent). The decline in sales was anticipated due to the restructuring-driven lower sales in the market segment Textile Fibers. Corona-related declining trends in the market segments Automotive and Aerospace were compensated by the higher than expected sales growth in Wind Energy. Sales in Industrial Applications were stable and thus also slightly better than planned. Recurring EBIT grew to reach 3.7 million euros compared to the break-even level of the prior year quarter, despite almost 3 million euros lower contribution from the At-Equity accounted investments. The EBIT-margin improved from 0.3 percent to 3.5 percent. Main drivers for this development were the earnings improvement measures implemented last year, particularly the restructuring in Textile Fibers, price increases in the market segment Wind Energy as well as the segment-wide improvement of the operational performance. Return on capital employed (ROCE) based on recurring EBIT of the reporting unit CFM reached minus 0.8 (previous year: 1.8) percent. The decline in ROCE results from the calculation method, which employs recurring EBIT for the last twelve months.

Due to its exposure to the market segments Automotive and Aerospace, which are more than proportionately negatively impacted by the Corona crisis, the reporting segment CFM is significantly affected by the recent developments in these customer industries. However, these developments have not yet materially impacted the first quarter.

Graphite Materials & Systems (GMS): Sales revenues decrease mainly due to changes in the lithium-ion battery supply chain; result below prior year; Semiconductor business with good first quarter

Sales revenues in the business unit GMS in the first quarter 2020 saw a decline of 19.1 percent to 134.6 (previous year: 166.4) million euros (currency adjusted: minus 20 percent), but were in line with expectations due to the changes in the supply chain in the lithium-ion battery business. All market segments declined compared to the prior year period with the exception of Semiconductors, which grew double-digit. Recurring EBIT declined by 55.1 percent to 11.9 (previous year: 26.5) million euros compared to the record earnings level in the prior year, which also included a positive IFRS 15 effect. This led to a lower EBIT-margin of 8.8 (previous year: 15.9) percent. In line with the development in sales, almost all market segments posted lower earnings. Based on the substantially higher sales revenues, earnings in the market segment Semiconductors improved slightly, while earnings in the market segment Automotive & Transport were stable despite lower sales due to productivity improvements. Return on capital employed (ROCE) based on recurring EBIT of the business unit GMS reached 13.2 (previous year: 17.4) percent.

Corporate: Sales remain stable; result above prior year

Sales revenues in the reporting segment Corporate in the first quarter 2020 were approximately on the prior year level (no currency effect). EBIT improved to minus 6.6 (previous year: minus 8.2) million euros compared to the prior year period despite slightly higher expenses in the central research and development department Central Innovation. The improvement is primarily due to a one-time income from the final invoicing of services to the divested business unit Performance Products.

Free cash flow from continuing activities significantly improved

Cash flow from operating activities in the first quarter 2020 improved significantly by 16.6 million euros to 20.7 (previous year: 4.1) million euros, in particular because in contrast to previous years, there was no significant increase in working capital in the first quarter. In addition, cash flow from investing activities improved from minus 7.8 million euros in the prior year period to minus 2.8 million euros in the reporting period, mainly because of lower capital expenditures in intangible assets and property, plant and equipment, and despite lower cash inflows from a dividend payment from the joint venture with Brembo of 5.0 (previous year: 6.0) million euros. Free cash flow from continuing operations improved significantly to 17.9 (previous year: minus 3.7) million euros.

Total assets as of March 31, 2020 of 1,496.6 million euros remained essentially unchanged (December 31, 2019: 1,504.8 million euros). Equity attributable to the shareholders increased to reach 443.3 million euros as of end of March 2020 (December 31, 2019: 418.6 million euros). This development is mainly attributable to the positive effects from the adjustment of interest rates for pension provisions to the increased interest rate environment in Germany. Overall, the equity ratio as of March 31, 2020 increased to 29.6 percent (December 31, 2019: 27.8 percent).

Reliable forecast for fiscal year 2020 not yet possible; in second quarter 2020, sales to decline in a double-digit range, and negative recurring EBIT expected

In light of the uncertainties surrounding the further development, the duration as well as the impacts of the Covid-19 pandemic, on April 1, 2020, the Board of Management of SGL Carbon SE decided to suspend the guidance for the fiscal year 2020 as published in the Annual Report 2019.

Due to the various measures to contain the Covid-19 pandemic, which have materially impacted and will likely continue to impact social and economic life, a significant decline in all major KPIs is to be expected for this fiscal year.

Thanks to initial measures and in contrast to the usual seasonality, SGL Carbon was even able to increase liquidity at the end of the first quarter 2020 compared to the year-end 2019. To counteract the anticipated reduction in available liquidity in the coming months, SGL Carbon has not only employed personnel instruments such as applying for short-time work, but also initiated various limitations and postponements of expenditures in both business units as well as in Corporate. The company is also working on additional funding options independent from the capital markets. SGL Carbon is intensively working on identifying and mitigating potential risks.

The first quarter 2020 remained largely within the scope of the initial forecasts, as March 2020 was not yet materially impacted by Covid-19. In contrast, the production processes of SGL Carbon have been affected significantly by customers' and own temporary production stops, reduced production levels as well as demand reductions since the beginning of the second quarter 2020. Accordingly, the company currently expects sales revenues to decline substantially double-digit compared to the prior year level. As a consequence, a negative recurring EBIT in the second quarter 2020 is anticipated.

A reliable outlook for the entire fiscal year 2020 can only be presented after the overall economic situation including the supply chains will have largely stabilized.

SGL Carbon expects to resume its sustainable mobility, energy and digitization driven growth path after overcoming the pandemic. It is already visible today, that sustainability and digitization, two topics that have particular relevance for the company, will gain importance and that its business model will be strengthened by this development. Demand for the products of SGL Carbon will grow in the medium term, as the products offer significant customer benefits such as higher efficiency, lower costs, reduced consumption of resources, and improved CO_2 footprint. These issues are also highlighted in the planned and implemented stimulus programs of various nations.

The company's lightweight solutions at competitive costs and its performance relevant materials and components for electric mobility and fuel cell cars enable sustainable mobility and reduce CO_2 emissions in both, the automotive and the aerospace industries.

SGL Carbon substantially contributes to the advancement of sustainable energy generation with its specialty graphites for the solar industry and its carbon fibers for the wind energy industry.

The Corona pandemic has accelerated the digitization trend. SGL Carbon offers graphite based solutions along the entire semiconductor production route. Its growth is primarily driven by high-speed Internet, 5G technology for cellular networks, autonomous driving, Internet of Things and increased usage of LEDs. SGL Carbon is experiencing double-digit growth particularly in its silicon carbide coated specialty graphites for wideband-gap technology which is currently experiencing increased usage in high performance electronics and replacing the conventional technolgy.

Key Figures of SGL Carbon
(in million euros)

	Q1 2020	Q1 2019	Change
Sales revenue	246.8	288.8	-14.5%
EBITDA before non-recurring items	24.6	36.3	-32.2%
Operating profit (EBIT) before non-recurring items	9.0	18.7	-51.9%
Return on sales (EBIT margin) [1)]	3.6%	6.5%	-2.9%-points
Return on capital employed ($ROCE_{EBIT}$) [2)]	3.1%	5.0%	-1.9%-points
Operating profit (EBIT)	6.4	16.3	-60.7%
Consolidated net result	-4.3	8.9	>-100%
Earnings per share, basic and diluted (in €) [3)]	-0.04	0.07	>-100%
Payments to purchase intangible assets and property, plant & equipment	-7.9	-15.4	48.7%
Free Cashflow from continuing operations	17.9	-3.7	>100%

	March 31, 2020	Dec. 31, 2019	Change
Total assets	1,496.6	1,504.8	-0.5%
Equity attributable to shareholders of the parent company	443.3	418.6	5.9%
Net financial debt [4)]	281.5	288.5	-2.4%
Leverage ratio [5)]	2.60	2.40	–
Equity ratio [6)]	29.6%	27.8%	1.8%-points
Employees	5,086	5,127	-0.8%

1 Ratio of Operating profit (EBIT) before non-recurring items to sales revenues
2 Operating profit (EBIT) before non-recurring items for the last 12 months to average capital employed (total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital)
3 Based on an average number of 122.3 million shares (previous year: 122.3 million shares)
4 Financial liabilities (nominal amounts) less liquidity
5 Net financial debt divided by EBITDA before non-recurring items of the last 12 months
6 Equity attributable to shareholders of the parent company divided by total assets

About SGL Carbon

SGL Carbon is a technology-based company and world leader in the development and production of carbon-based solutions. Its high-quality materials and products made from specialty graphite and composites are used in industrial sectors that determine the future: automotive, aerospace, solar and wind energy, semiconductor and LEDs as well as in the production of lithium-ion batteries, fuel cell and other energy storage systems. In addition, SGL Carbon develops solutions for chemical and industrial applications.

In 2019, SGL Carbon SE generated sales of around 1.1 billion euros. The company has approximately 5,100 employees at 31 locations in Europe, North America, and Asia.

Materials, products and solutions from SGL Carbon are embedded in the major topics of the future: sustainable mobility, new energies and cross-industry digitization. Further developments in these areas demand more intelligent, more efficient, networked and sustainable solutions. This is where the entrepreneurial vision of SGL Carbon evolves around: contributing to a smarter world.

Further information on SGL Carbon can be found at www.sglcarbon.com/press.

Important note:
To the extent that our press release contains forward-looking statements, the latter are based on information that is available at present and on our current forecasts and assumptions. Forward-looking statements, by their very nature, entail known as well as unknown risks and uncertainties that may lead to actual developments and events differing substantially from the forward-looking assessments. Forward-looking statements must not be understood to be guarantees. Instead, future developments and events depend on a large number of factors; they comprise various risks and imponderables and are based on assumptions that may possibly turn out not to be appropriate. These include unforeseeable changes to fundamental political, economic, legal and societal conditions, particularly in the context of our main customers' industries, the competitive situation, interest and exchange rate trends, technological developments as well as other risks and uncertainties. We perceive additional risks e.g. in pricing developments, unforeseeable events in the environment of companies acquired and Group member companies as well as in current cost savings programs from time to time. The SGL Carbon assumes no obligation and does not intend to adjust or otherwise update these forward-looking statements either.

SGL Carbon SE

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