

2019 annual results

March 11, 2020 - 6.00pm CET

| | | |
|----------------------------|----------------|------------------|
| > Sales | €1,615 million | (-7.5% vs. 2018) |
| > EBITDA | €73 million | (4.5% of sales) |
| > Net income (Group share) | €25 million | |

On March 11, 2020 the Board of Directors, chaired by Éric Jacquet, approved the consolidated financial statements for the period ended December 31, 2019, which have been audited by the Statutory Auditors.

| €m | Q4 2019 ¹ | Q4 2018 PF ² | 2019 ¹ | 2018 PF ² |
|--|----------------------|-------------------------|-------------------|----------------------|
| Sales | 355 | 399 | 1,615 | 1,745 |
| Gross margin | 86 | 94 | 374 | 422 |
| % of sales | 24.3% | 23.6% | 23.2% | 24.2% |
| EBITDA³ | 11 | 15 | 73 | 102 |
| % of sales | 3% | 3.8% | 4.5% | 5.9% |
| Adjusted operating income³ | 4 | 14 | 43 | 88 |
| % of sales | 1% | 3.5% | 2.7% | 5.0% |
| Net income (Group share) | 5 | 9 | 25 | 62 |

¹ In accordance with IFRS 5 – Discontinued operations, the contribution of Abraservice group, which was sold on October 31, 2019, is not included in the Group sales and operating income.

² For the sake of comparison with 2019 figures, the 2018 financial statements have been restated by removing the results of Abraservice group, sold on October 31, 2019, and the results of the businesses sold in 2018 (proforma data "PF").

³ Adjusted for non-recurring items. The activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them. The report is available at www.jacquetmetalservice.com.

Headlines

Market conditions in 2019 were mainly distinguished by an erosion of the demand, particularly from the second half onwards.

In this context, the Group generated sales of €1.6 billion, EBITDA of €73 million and operating cash flow of €59 million.

IMS group, the division specializing in the distribution of engineering steels, was particularly impacted by the slowdown in the European manufacturing sector, especially in Germany, its main market. As a result, sales were down 13% versus 2018 (Q4: -19%).

STAPPERT, which specializes in the distribution of stainless steel long products, posted a more moderate decline in its business, with sales down 3.9% versus 2018 (Q4: -3.2%).

JACQUET, which distributes stainless steel quarto plates and is active in more diversified markets than the other Group divisions, posted business growth (+3.5% in 2019; Q4: +2.1%).

Meanwhile, the Group pursued a sustained capital expenditure policy (€30 million) mainly aimed at strengthening its market positioning, particularly in North America.

Operating cash flow generated over the year and the October 2019 sale of the Abraservice group (sales of €78 million) improved the Group's financial position, resulting in a year-end debt to equity ratio (or gearing) of 46.1% versus 56.9% at 2018 year-end.

In 2020, market conditions have been challenging at the start of the first half and the Group does not expect to see the economic situation improve during the first half.

Group's business in China, which represents 1% of consolidated sales, was affected by the measures taken in face of the coronavirus crisis. Regarding the steel supply chain, the potential impact of production shutdowns should be limited, as less than 20% of Group purchases come from China.

In Italy (8% of consolidated sales and 20% of purchases), the Group has not noticed any business interruption and is unable at this stage to assess the potential impact of the coronavirus.

This also applies to the other markets in which the Group operates.

In this context, the Group will focus on improving operating efficiency and pursuing the capital expenditure and growth policy adapting it to the economic situation.

2019 sales and earnings

Sales amounted to €1,615 million, -7.5% compared to 2018 (Q4: -10.9%), including the following effects:

- > volumes sold: -8% (Q4: -11.1%);
- > prices: +0.5% (Q4: +0.2%). Q4 2019 prices were up +1% from Q3 2019.

Gross margin amounted to €374 million and represented 23.2% of sales (Q4: 24.3%) compared to €422 million in 2018 (24.2% of sales; Q4: 23.6%).

Operating expenses excluding non-recurring items amounted to €331 million compared to €334 million in 2018 (-0.8%).

EBITDA amounted to €73 million representing 4.5% of sales. The application of *IFRS 16–Leases* as from January 1, 2019 increased EBITDA by €17 million. Adjusted for this impact, EBITDA amounted to €56 million representing 3.5% of sales, compared to 5.9% in 2018.

Adjusted operating income amounted to €43 million (2.7% of sales) compared to €88 million (5% of sales) in 2018. The application of *IFRS 16–Leases* had no material impact on adjusted operating income.

After accounting for €9 million in capital gains on the sale of Abraservice, net income (Group share) came to €25 million (1.5% of sales), compared to €62 million in 2018 (3.5% of sales). The application of *IFRS 16–Leases* had no material impact on net income.

Financial position

The Group generated operating cash flow of €59 million in 2019.

As of December 31, 2019:

- > operating working capital amounted to €417 million (including inventories of €442 million) and represented 25.8% of sales, compared to 24.5% as of December 31, 2018 (proforma operating working capital of €428 million including inventories of €478 million);
- > net debt stood at €175 million compared to shareholders' equity of €379 million, resulting in a net debt to equity ratio or gearing of 46.1% compared to 56.9% as of December 31, 2018.

In December 2019, the Group signed a €70 million *Schuldscheindarlehen* (SSD) repayable at maturity in 5 years, thereby increasing cash and cash equivalents to €206 million at 2019 year-end.

Pursuant to *IFRS 16–Leases*, applied as from January 1, 2019, the Group balance sheet as of December 31, 2019 carries the following items:

- > a right-of-use asset amounting to €84.9 million, €18.4 million of which was recorded under net non-current assets as of December 31, 2018;
- > a lease liability amounting to €85.8 million, €15.8 million of which was recorded under borrowings as of December 31, 2018.

2019 earnings by division excluding IFRS 16 impacts

| |  | |  | |  | |
|--|---|--------------|---|--------------|---|---------------|
| | Stainless steel quarto plates ³ | | Stainless steel long products | | Engineering steels ³ | |
| €m | Q4 2019 | 2019 | Q4 2019 | 2019 | Q4 2019 | 2019 |
| Sales | 80 | 343 | 104 | 467 | 174 | 818 |
| Change vs. 2018 | +2.1% | +3.5% | -3.2% | -3.9% | -19.3% | -13.1% |
| Price effect | + 2.3% | +3.6% | +1.7% | -0.4% | -1.1% | -0.1% |
| Volume effect | -0.3% | -0.1% | -4.9% | -3.5% | -18.2% | -13.1% |
| EBITDA¹² | 4 | 23 | 2 | 14 | (1) | 14 |
| % of sales | 5.5% | 6.8% | 1.6% | 3% | -0.5% | 1.8% |
| Adjusted operating income² | 3 | 16 | 1 | 12 | (1) | 11 |
| % of sales | 3.7% | 4.8% | 0.7% | 2.6% | -0.7% | 1.4% |

¹ Non-division operations (including Jacquet Metal Service SA) contributed €4 million to EBITDA in 2019 (Q4 2019: €2 million) and Group EBITDA benefited from a positive impact of €17 million due to the application of *IFRS 16 – Leases*.

² Adjusted for non-recurring items. The activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them.

³ For the sake of comparison with 2019 figures, the 2018 financial statements of JACQUET have been restated by removing the results of the Abraservice group, sold on October 31, 2019, and the IMS group businesses sold off in 2018.

JACQUET specializes in the distribution of stainless steel quarto plates. The division generates 67% of its business in Europe and 26% in North America.

Sales amounted to €343 million, up +3.5% from €332 million in 2018 (Q4: +2.1%):

- > volumes: -0.1% (Q4: -0.3%);
- > prices: +3,6 % (Q4: +2.3% vs. Q4 2018 and +2.8% vs. Q3 2019).

Gross margin amounted to €105 million and represented 30.6% of sales (Q4: 32%) compared to €106 million in 2018 (31.9% of sales; Q4: 31.5%).

EBITDA amounted to €23 million (Q4: €4 million) representing 6.8% of sales compared to €28 million in 2018 (8.4% of sales; Q4: 6.4%).

STAPPERT specializes in the distribution of stainless steel long products in Europe. The division generates 41% of its sales in Germany, the largest European market.

Sales amounted to €467 million, down -3.9% from €487 million in 2018 (Q4: -3.2%):

- > volumes: -3.5% (Q4: -4.9%);
- > prices: -0.4% (Q4: +1.7% vs. Q4 2018 and +2.9% vs. Q3 2019).

Gross margin amounted to €92 million and represented 19.6% of sales (Q4: 21.2%) compared to €104 million in 2018 (21.3% of sales; Q4: 21.1%).

EBITDA amounted to €14 million (Q4: €2 million) representing 3% of sales compared to €26 million in 2018 (5.3% of sales; Q4: 3.8%).

IMS group specializes in the distribution of engineering steels, mostly in the form of long products. The division generates 46% of its sales in Germany, the largest European market.

Sales amounted to €818 million, down -13.1% from €941 million in 2018 (Q4: -19.3%):

- > volumes: -13.1% (Q4: -18.2%);
- > prices: -0.1% (Q4: -1.1% vs. Q4 2018 and -0.8% vs. Q3 2019).

Gross margin amounted to €177 million and represented 21.7% of sales (Q4: 22.1%) compared to €213 million in 2018 (22.6% of sales; Q4: 21.6%).

EBITDA amounted to €14 million (Q4: -€1 million) representing 1.8% of sales compared to €41 million in 2018 (4.4% of sales; Q4: 1.2%).

Key financial information

| €m | Q4 2019 ¹ | Q4 2018 PF ² | 2019 ¹ | 2018 PF ³ |
|--|----------------------|-------------------------|-------------------|----------------------|
| Sales | 355 | 399 | 1 615 | 1 745 |
| Gross margin | 86 | 94 | 374 | 422 |
| % of sales | 24.3% | 23.6% | 23.2% | 24.2% |
| EBITDA³ | 11 | 15 | 73 | 102 |
| % of sales | 3% | 3.8% | 4.5% | 5.9% |
| Adjusted operating income³ | 4 | 14 | 43 | 88 |
| % of sales | 1% | 3.5% | 2.7% | 5.0% |
| Operating income | 1 | 14 | 40 | 91 |
| Net financial expense | (2) | (3) | (11) | (11) |
| Corporate income tax | (3) | (3) | (13) | (20) |
| Net income from discontinued operations | 9 | 2 | 12 | 5 |
| Minority interests | (0) | (1) | (3) | (3) |
| Net income (Group share) | 5 | 9 | 25 | 62 |

¹ In accordance with IFRS 5 – Discontinued operations, the contribution of Abraservice group, which was sold on October 31, 2019, is not included in the Group sales and operating income.

² For the sake of comparison with 2019 figures, the 2018 financial statements have been restated by removing the results of Abraservice group, sold on October 31, 2019, and the results of the businesses sold in 2018 (proforma data "PF").

³ Adjusted for non-recurring items. The activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them. The report is available at www.jacquetmetalservice.com.

Cash flow

| €m | 2019 | 2018 PF ¹ |
|--|------------|----------------------|
| Operating cash flow before change in working capital | 54 | 83 |
| Change in working capital | 4 | (65) |
| Cash flow from operating activities | 59 | 19 |
| Capital expenditure | (30) | (21) |
| Asset disposals | 25 | 15 |
| Dividends paid to shareholders of Jacquet Metal Service SA | (17) | (17) |
| Interest paid | (12) | (11) |
| Other movements | 14 | (17) |
| Change in net debt | 40 | (31) |
| Net debt brought forward | 215 | 183 |
| Net debt carried forward | 175 | 215 |

¹ For the sake of comparison with 2019 figures, the 2018 financial data have been restated by removing the results of the Abraservice group, sold on October 31, 2019, and the other businesses sold in 2018, excluding the net debt carried forward as of December 31, 2018, stated as previously reported (proforma "PF" data).

Balance sheet

| €m | 31.12.19 | 31.12.18 |
|--|--------------|--------------|
| Goodwill | 66 | 68 |
| Net non-current assets | 143 | 156 |
| Right-of-use assets ¹ | 85 | — |
| Net inventory | 442 | 493 |
| Net trade receivables | 152 | 182 |
| Other assets | 91 | 100 |
| Cash & cash equivalents | 206 | 119 |
| Total assets | 1,186 | 1,119 |
| Shareholders' equity | 379 | 377 |
| Provisions (including provisions for employee benefit obligations) | 99 | 96 |
| Trade payables | 178 | 228 |
| Borrowings | 381 | 338 |
| Other liabilities | 63 | 80 |
| Lease liabilities ¹ | 86 | — |
| Total equity and liabilities | 1,186 | 1,119 |

¹ Application of IFRS 16 – Leases as from January 1, 2019

Activity report available at: www.jacquetmetalservice.com - Q1 2020 earnings: May 13, 2020 after close of trading

Jacquet Metal Service is a European leader in the distribution of specialty steels. The Group operates and develops a portfolio which currently consists of three brands:

JACQUET stainless steel quarto plates - **STAPPERT** stainless steel long products - **IMS group** engineering steels.

With a headcount of 3,039 employees, Jacquet Metal Service has a network of 103 distribution centers in 25 countries in Europe, China and North America.

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Reuters : JCQ.PA
Bloomberg : JCQ.FP