

First half 2019 earnings

September 18, 2019 - 6.00 pm CET

- > Sales **€884 million (-3.8% vs. H1 2018)**
- > EBITDA **€47 million (5.3% of sales)**
- > Net income (Group share) **€18 million**

On September 18, 2019 the Board of Directors chaired by Éric Jacquet examined the consolidated financial statements for the six months ended June 30, 2019, which were subject to a limited review by the statutory auditors.

€m	Q2 2019 ¹	Q2 2018 PF ²	H1 2019 ¹	H1 2018 PF ²
Sales	424	452	884	920
Gross margin	100	114	204	228
% of sales	23.7%	25.2%	23.1%	24.8%
EBITDA³	23	31	47	62
% of sales	5.5%	6.8%	5.3%	6.7%
Adjusted operating income³	15	27	32	54
% of sales	3.5%	6.0%	3.6%	5.8%
Operating income	13	27	31	58
Net income (Group share)	6	18	18	41

¹ In accordance with IFRS 5 – Assets held for sale, the contribution of Abraservice is not included in the sales and operating income of the Group.

² For the sake of comparison with 2019 figures, 2018 financial statements have been restated by removing the results of the Abraservice group, currently under disposal, and the results of 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 and is available at www.jacquetmetalservice.com.

Headlines

Market conditions during first half 2019 were uneven, less favorable than the previous year due to low demand:

- > distribution of engineering steels was impacted by the slowdown in manufacturing activities, particularly in Germany. Accordingly, IMS group volumes fell -10.2% vs H1 2018 (Q2: -9.7%).
- > the STAPPERT and JACQUET divisions recorded a more limited decline in their volumes, respectively down -0.2% (Q2: -2.6%) and -1.5% (Q2: -4.7%).

Under these circumstances, H1 2019 sales came to €884 million (-3.8%; Q2: -6.1%) and EBITDA was €47 million (Q2: €23 million) or 5.3% of sales (Q2: 5.5%).

Market conditions are not expected to improve in Q3 2019 and sales are expected to fall significantly compared to Q3 2018.

In this context, the Group will focus on controlling working capital requirements and operating costs while keeping an eye out for acquisition opportunities arising from current economic conditions.

On July 25, 2019, the Group signed an agreement with SSAB for the sale of 100% of the shares in its subsidiary Abraservice Holding, the holding company of the Abraservice group which specializes in the distribution of wear-resistant steels. Abraservice has 10 distribution centers in 11 countries, mainly in Europe, and has generated €78 million in revenue in 2018. In accordance with IFRS 5 – Assets held for sale, as of June 30, 2019 Abraservice's contribution is no longer recognized under Group sales or operating income. Only Abraservice's net income is included in net income (Group share) under "Net income from discontinued operations". The closing of this transaction, forecasted for the fourth quarter of 2019, remains subject to prior approval of the competent antitrust authorities.

First half 2019 sales and earnings

Group sales totaled €884 million, down -3.8% compared to H1 2018 (Q2: -6.1%), impacted by the following effects:

- > volumes sold: -5.9% (Q2: -6.8%);
- > price: +2% (Q2: +0.7%). The price effect compared to Q1 2019 was +1.3%.

Gross margin amounted to €204 million or 23.1% of sales (Q2: 23.7%) compared to €228 million (24.8% of sales) in H1 2018.

Operating expenses excluding non-recurring items amounted to €172 million, down 1.2% at constant consolidation compared to H1 2018.

EBITDA amounted to €47 million, or 5.3% of sales. The application of *IFRS 16 - Leases* as from January 1, 2019 increased EBITDA by €8.6 million. Adjusted for this impact, EBITDA amounted to €39 million or 4.4% of sales, compared to 6.7% in H1 2018.

Adjusted operating income amounted to €32 million (3.6% of sales) compared to €54 million (5.8% of sales) in H1 2018. The application of IFRS 16 had no material impact on adjusted operating income.

Net income (Group share) amounted to €18 million (2% of sales) compared to €41 million (including a €2.8 million gain on asset disposals) in H1 2018 (4.4% of sales). The application of IFRS 16 had no material impact on net income.

Financial position

First half 2019 Group operating cash flow amounted to a +€51 million inflow.

As of June 30, 2019:




- > Operating working capital amounted to €421 million, including inventories of €446 million, and represented 24.6% 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 €158 million (debt to equity ratio 41.9% compared to 56.9% at the end of 2018).

In accordance with *IFRS 16 – Leases* applied as of January 1, 2019, the Group balance sheet at June 30, 2019 carries the following items:

- > a right-of-use asset amounting to €90.7 million, €18.4 million of which was recorded under net non-current assets as of December 31, 2018;
- > a lease liability amounting to €87.7 million, €15.8 million of which was recorded under borrowings as of December 31, 2018.

In accordance with *IFRS 5 – Assets held for sale*, Abraservice group assets (€42 million) and liabilities (€25 million) are reported under separate balance sheet line items (assets and liabilities held for sale).

H1 2019 earnings by division excluding impacts of IFRS 16

	 JACQUET		 STAPPERT		 ims	
	Stainless steel quarto plates ³		Stainless steel long products		Engineering steels ³	
€m	Q2 2019	H1 2019	Q2 2019	H1 2019	Q2 2019	H1 2019
Sales	89	179	121	254	218	460
Change vs. 2018	+1.6%	+5.2%	-2.4%	+0.4%	-10.7%	-9%
Price effect	+6.3%	+6.7%	+0.2%	+0.6%	-1.0%	+1.2%
Volume effect	-4.7%	-1.5%	-2.6%	-0.2%	-9.7%	-10.2%
EBITDA^{1,2}	7	13	5	10	6	14
% of sales	7.6%	7.2%	4.5%	4.1%	2.8%	3%
Adjusted operating income²	5	9	5	10	5	12
% of sales	5.5%	5.1%	4.1%	4.0%	2.3%	2.6%

¹ Non-division operation (including Jacquet Metal Service SA) contributed €1.7 million to H1 2019 EBITDA and group EBITDA benefited from a positive impact of €8.6 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 JACQUET 2018 financial statements have been restated by removing the results of the Abraservice group, currently under disposal, and IMS group other businesses sold off in 2018.

JACQUET specializes in the distribution of stainless steel quarto plates. The division generates 69% of its business in Europe and 26% in North America.

Sales amounted to €179 million, +5.2% from €170 million in H1 2018 (Q2: +1.6%):

- > volumes: -1.5% (Q2: -4.7%);
- > price effect: +6.7% (Q2: +6.3% vs Q2 2018 and +3.1% vs Q1 2019).

Gross margin amounted to €53.9 million and represented 30.2% of sales (Q2: 31%) compared to €53.8 million (31.7% of sales) in H1 2018.

EBITDA amounted to €12.8 million (Q2: €6.7 million) or 7.2% of sales, compared to €14.4 million (8.5% of sales) in H1 2018.

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 €254 million, +0.4% from €253 million in H1 2018 (Q2: -2.4%):

- > volumes: -0.2% (Q2: -2.6%);
- > price effect: +0.6% (Q2: +0.2% vs Q2 2018 and +2% vs Q1 2019).

Gross margin amounted to €50.1 million and represented 19.8% of sales (Q2: 20.8%) compared to €55.3 million (21.9% of sales) in H1 2018.

EBITDA amounted to €10.5 million (Q2: €5.4 million) or 4.1% of sales, compared to €14.9 million (5.9% of sales) in H1 2018.

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 €460 million, -9% from €506 million in H1 2018 (Q2: -10.7%):

- > volumes: -10.2% (Q2: -9.7%);
- > price effect: +1.2% (Q2: -1% vs Q2 2018 and +0.2% vs Q1 2019)

Gross margin amounted to €100.2 million and represented 21.8% of sales (Q2: 21.9%) compared to €118.9 million (23.5% of sales) in H1 2018.

EBITDA amounted to €13.6 million (Q2: €6.2 million) or 3% of sales, compared to €29.6 million (5.9% of sales) in H1 2018.

Key financial information

Income statement

€m	Q2 2019 ¹	Q2 2018 PF ²	H1 2019 ¹	H1 2018 PF ²
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Cash flow

€m	H1 2019	H1 2018 PF ¹
Operating cash flow before change in working capital	40.7	51.8
Change in working capital	10.2	(63.8)
Cash flow from operating activities	50.9	(12.0)
Capital expenditure	(12.7)	(8.3)
Asset disposals	0.3	4.2
Dividends paid to shareholders of Jacquet Metal Service SA	–	–
Interest paid	(5.9)	(4.6)
Cash flow from assets held for sale	5.5	3.2
Other movements	19.1	(1.8)
Change in net debt	57.0	(19.2)
Net debt brought forward	214.5	183.1
Net debt carried forward	157.5	202.3

¹ For the sake of comparison with 2019 figures, the 2018 financial data have been restated by removing the results of the Abraservice group, currently under disposal, and other businesses sold off in 2018, excluding the net debt carried forward at June 30, 2018 stated as previously reported (proforma data "PF").

Balance sheet

€m	30.06.19	31.12.18
Goodwill	66	68
Net non-current assets	132	156
Right-of-use assets ¹	91	–
Net inventory	446	493
Net trade receivables	206	182
Other assets	90	100
Cash	173	119
Assets held for sale	42	–
Total assets	1,246	1,119
Shareholders' equity	376	377
Provisions (including provisions for employee benefit obligations)	94	96
Trade payables	230	228
Total borrowings	330	338
Other liabilities	102	80
Lease liabilities ¹	88	–
Liabilities held for sale	25	–
Total equity and liabilities	1,246	1,119

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

Activity report available: www.jacquetmetalservice.com
Q3 2019 results: November 13, 2019 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 3,060 employees, Jacquet Metal Service has a network of 101 distribution centers in 25 countries in Europe, China and North America.

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Reuters : JCQ.PA
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