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Quadpack's H1 2020 results: resilient profitability in a difficult environment

- Revenues €54.6 million for H1 2020 (ending 31 July 2020), down 29% year-on-year on a like-for-like basis and 9% on an overall basis
- Downturn in revenues mitigated by the acquisition of German manufacturer Louvrette
- Resilient profitability in a difficult environment, thanks to an increase in manufacturing capability
- EBITDA 7.3% of revenue (vs 9.9% in H1 2019), reaching €4 million
- Cash position of €21.9 million, related to COVID-19 bank loans

Results for the first semester of 2020 of Quadpack Industries (Euronext Growth: ALQP), manufacturer and provider of packaging solutions to the global beauty industry, show a drop over H1 2019, but without compromising the stability of the company. Quadpack withstood the effects of the COVID-19 pandemic, thanks to proactive measures and consolidation of external growth, enabling greater control in uncertain market conditions.

Financial highlights

<i>(In €'thousands)</i>	H1 2020	H1 2019
Net revenue	54,597	60,058
% growth	-9.1%	25.6%
EBITDA	3,999	5,967
<i>EBITDA/Revenue %</i>	<i>7.3%</i>	<i>9.9%</i>
Operating result	1,072	4,166
Net result	(148)	2,508
Shares	4,380,572	4,203,926
<i>Net result per share (in €)</i>	<i>(0.02)</i>	<i>0.64</i>
<i>Net result per share, diluted (in €)</i>	<i>(0.02)</i>	<i>0.62</i>

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H1 2020 revenues reached €54.6 million, a 29% decline year-on-year on a like-for-like basis. An impact of external growth (acquisition of German injection-moulding company Louvrette in July 2019) of €12 million compensated for the drop in sales, reducing the decline to 9%.

The expansion of manufacturing capability will enable Quadpack to increase margins and profitability in the future. This is already reflected on H1 2020 with a resilient EBITDA of €4 million (7.3% of revenues) despite the drop in revenues.

Thanks to COVID-19 bank loans totalling €17 million, Quadpack's cash position at the end of H1 amounted to €21.9m. The loans and a positive cash flow from operations before working capital of €4.2m enabled the company to extend special payment plans to support clients and partners during the period.

COVID-19 crisis

The crisis brought on by the COVID-19 pandemic took the world by surprise. Store closures and a global lockdown seriously affected the beauty sector, with a knock-on effect on sales. At the same time, e-commerce received an enormous boost and new digital ways were conceived to engage with consumers.

Quadpack's first priority was the safety and wellbeing of its staff, as well as its clients, partners and local communities. Special measures were introduced at its offices and factories and staff worked from home where possible.

Quadpack also got involved in various initiatives to provide PPE, through its factories, 3D prototyping centre and global sourcing operation. In fact, the whole beauty sector showed remarkable solidarity, repurposing production lines to produce ventilator parts and hand sanitiser, and arranging deferred payment schemes down the supply chain.

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Strategy

The start of 2020 saw Quadpack rolling out its business strategy for 2020-25, which has since proven highly relevant in light of the crisis. The strategy is based on five pillars: global expansion, agility, collaborative innovation, sustainability and being a great place to work.

Through Louvrette, Quadpack strengthened its foothold in Germany, one of the five biggest European markets. In June, a new office was inaugurated in Tokyo, Japan, to increase its presence in the Asia-Pacific region, one of Quadpack's three key territories alongside Europe and the Americas.

With the expansion of Quadpack's own portfolio of smart, modular solutions, it offers local stocking for late differentiation in each key territory, delivering in the region, for the region, increasing agility and time to market. Agility was underscored in the midst of the crisis during which Quadpack, as both manufacturer and distributor, could rely on its innate flexibility to find solutions from less-affected regions.

Recovery

Quadpack is now focused on recovery and long-term sustainability. A pre-emptive cost optimisation plan was implemented early on in the crisis and will help to improve profitability.

Investment has been curtailed, now focusing on strategic priorities, such as digitalisation, increasing in-house manufacturing capacity and sustainability. A group-wide digital transformation project commenced during this period, while a state-of-the-art biomass plant was built at the Quadpack Wood factory, inaugurated in September. Quadpack also partnered with Sulapac to develop a new range of microplastics-free packaging. It sees partnerships as the future driver of innovation, as the pandemic redefines concepts of competition and community.

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Quadpack CEO Tim Eaves said: “The pandemic has shown us that we are stronger together. The beauty market rose to the challenge and we were privileged to reach out and support industry colleagues as well as our communities. Now we are working to make Quadpack more sustainable for the future, guided by a strategy that has already proved its worth. We face the next semester with care, compassion and confidence, as we aim, in accordance with our purpose, to do it right, differently, better.”

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