

Media release

The 2019 business year

CPH achieves its first-ever double-digit annual EBIT margin

The CPH Group generated total net sales of CHF 524.7 million for 2019, broadly in line with prior-year levels. EBIT for the year was raised 9.6% to CHF 56.6 million, while the net result of CHF 48.5 million was a 14.6% year-on-year improvement. In place of a dividend, the Board of Directors will recommend a CHF 1.80 reduction in the nominal value of the CPH share and the repayment to shareholders of the reduction amount.

in CHF million	2018	2019	± in CHF	± in %
Net sales	533.5	524.7	-8.9	-1.7
Earnings before interest, taxes, depreciation and amortization (EBITDA)	83.1	88.0	4.9	5.9
in % of net sales	15.6	16.8		
Earnings before interest and taxes (EBIT)	51.6	56.6	5.0	9.6
in % of net sales	9.7	10.8		
Net result for the year	42.3	48.5	6.2	14.6
in % of net sales	7.9	9.2		

Perlen, 25 February 2020 – The 2019 financial year saw a gradual deterioration in overall economic conditions that was not without its impact on the business of the CPH Group. Production facilities were well used in the first six months; but their utilization levels declined in all three divisions in the second-half period, while pricing pressures increased. As a result, the Group's total net sales for the year of CHF 524.7 million were 1.7% below their 2018 level. "If we exclude the 1.3-per-cent negative impact of currency movements, however, our net annual sales were virtually unchanged," says Peter Schildknecht, CEO of CPH Chemie + Papier Holding AG.

Chemistry earnings dampened by economic developments

Having reported rising sales and strong capacity utilizations for the first half of the year, the Chemistry Division saw a clear decline in its business in the second-half period in a less favourable overall economic environment. The additional tariffs imposed through the trade dispute between the USA and China depressed chemistry sales volumes. The CHF 78.2 million net sales for the year were 1.5% below their 2018 level. Sales of deuterated products

and gels, however, remained strong throughout. With the falling utilizations and pricing pressures, the division's EBIT margin declined to 5.6%.

Paper raises its EBIT margin

The demand for newsprint in Western Europe suffered a further 7.5% decline in 2019 to 4.3 million tonnes. Demand for magazine paper fell by an even higher 11.7% to 3.4 million tonnes. The CPH Group's Paper Division sold 517 165 tonnes of press papers, a 4.3% year-on-year decline. While higher paper prices helped raise sales in the first-half period, the growing industry overcapacities depressed these as the year progressed, and Europe's paper production facilities were no longer fully utilized. Numerous manufacturers – including Perlen Papier – responded with temporary production stops. Net annual sales for the Paper Division declined 2.6% to CHF 293.2 million. The division's EBIT margin for the year was raised to 11.8%, however, thanks to a combination of increased efficiencies and lower energy and recovered paper costs.

Packaging improves sales and earnings

The demand for medicines remained stable in Europe in 2019, while growth rates slowed in the emerging markets. The Packaging Division sold the same volumes of its films as it had the previous year, but the higher proportion of high-value films sold had a positive impact on the division's net sales for the year. Excluding currency factors, net sales for the year rose 1.7% to CHF 153.2 million. Net sales for Latin America saw double-digit percentage growth. Raw materials costs were slightly below their prior-year level, and EBIT margin was improved to 11.3%.

A record net group result

The CPH Group invested CHF 21.9 million in tangible fixed assets in 2019 to further enhance the efficiency of its facilities and processes. The Group generated a cash flow of CHF 79.9 million and a free cash flow of CHF 39.9 million (excluding the repayment of the CHF 100 million fixed-term deposit). The costs of the key production item of recovered paper declined in 2019, while the cost of materials was reduced from 50% to 49% of production-generated group sales. With workforce numbers rising only minimally from 1 081 to 1 086, personnel cost remained unchanged as a share of total group expense.

While sales declined, overall expenditure was reduced slightly more, and consolidated annual EBITDA rose 5.9% to CHF 88.0 million. After ordinary depreciation and amortization of CHF 31.4 million, the CPH Group reported consolidated earnings before interest and taxes (EBIT) of CHF 56.6 million for the year, a 9.6% improvement on 2018. “This gives us an EBIT margin for 2019 of 10.8 per cent – the first double-digit EBIT margin we have recorded since the CPH share’s stock exchange listing,” comments Peter Schildknecht. “And two of our three business divisions posted record earnings for the year.” The financial result was slightly down on 2018 at CHF –5.6 million. After the non-operating result and taxes, the Group posted a net result for 2019 of CHF 48.5 million, a 14.6% improvement on the previous year.

Distribution of CHF 1.80 per share through reduction in nominal value

The Board of Directors of CPH Chemie + Papier Holding AG will recommend to the Ordinary General Meeting of 17 March 2020 that the nominal value of the CPH share be reduced from CHF 2.00 to CHF 0.20, and that the CHF 1.80 reduction amount per share be repaid to shareholders. The prior-year dividend also amounted to CHF 1.80 per share, including a special dividend of CHF 0.50.

Outlook for 2020

“Given the current uncertain economic trends, the less-than-bright market outlook in the paper industry and the as yet unforeseeable ramifications of the coronavirus, we see little prospect of maintaining our 2020 group net sales at their prior-year levels, and are likely to see a tangible decline in our operating margin,” concedes Peter Schildknecht. The Group expects to report a net result for 2020 (excluding the extraordinary income expected) of a lower double-digit million-franc amount. The Group also plans total investments of CHF 29.4 million in tangible fixed assets in the course of the year, to further enhance efficiency and expand its business activities.

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About CPH

CPH is an internationally active and diversified industrial group which is headquartered in Switzerland. The CPH Group develops, manufactures and distributes chemical products, wood-based paper and pharmaceutical packaging films. The Group and its subsidiaries maintain production facilities in Switzerland, Germany, Bosnia and Herzegovina, the USA, Brazil and China. The shares of its holding company CPH Chemie + Papier Holding AG are listed on the SIX Swiss Exchange (ticker: CPHN).

This media release contains future-oriented statements about the CPH Group that are subject to risk and uncertainties. These statements reflect the management's opinions at the time of the release's compilation, but they may deviate from actual future events.

Presentation of the CPH Group's 2019 annual results

Annual Results Media Conference (in German)

Date: Tuesday 25 February 2020
Time: 11:00 (CET)
Speakers: Peter Schaub, Chairman of the Board of Directors
Peter Schildknecht, CEO
Richard Unterhuber, CFO
Venue: CPH Group Head Office, Perlenring 1, CH-6035 Perlen

Key figures

in CHF million	2018	2019	± in CHF	± in %
The CPH Group				
Net sales	533.5	524.7	-8.9	-1.7
Earnings before interest, taxes, depreciation and amortization (EBITDA)	83.1	88.0	4.9	5.9
in % of net sales	15.6	16.8		
Earnings before interest and taxes (EBIT)	51.6	56.6	5.0	9.6
in % of net sales	9.7	10.8		
Financial result	-6.0	-5.6	0.4	n.a.
Earnings before taxes and extraordinary items	45.7	51.0	5.3	11.6
Net result for the year	42.3	48.5	6.2	14.6
in % of net sales	7.9	9.2		
in % of equity	10.4	11.0		
in % of total capital	5.3	6.9		
Cash flow	69.0	79.9	10.9	15.9
Gross investments in tangible fixed assets	22.3	21.9	-0.4	-1.8
Free cash flow	-80.5	139.9	+220.4	n.a.
Adjusted free cash flow ¹⁾	19.5	39.9	20.4	104.6
Balance sheet total	800.5	702.7	-97.8	-12.2
Fixed assets	447.2	436.0	-11.2	-2.5
in % of balance sheet total	55.9	62.1		
Equity	407.1	441.3	34.2	8.4
in % of balance sheet total	50.9	62.8		
Net cash	-56.9	-29.5	27.4	n.a.
Personnel at year-end (in FTEs)	1 081	1 086	5	0.5
By division				
Chemistry				
Net sales	79.4	78.2	-1.2	-1.5
EBIT	6.1	4.4	-1.7	-28.1
Paper				
Net sales	301.1	293.2	-7.9	-2.6
EBIT	30.1	34.7	4.6	15.2
Packaging				
Net sales	153.0	153.2	0.2	0.1
EBIT	15.4	17.3	1.9	12.0
CPH Chemie + Papier Holding AG				
Net result for the year	13.1	52.6	39.5	301.5
Equity	396.6	438.4	41.8	10.5
Per-share statistics (in CHF)				
Consolidated equity per share	67.87	73.56		
Consolidated net result per share	7.05	8.06		
Consolidated cash flow per share	11.50	13.33		
Dividend	1.80	0.00 ²⁾		

¹⁾ Excluding CHF 100 million fixed-term deposit of funds generated by bond issue of 12.10.2018, repaid 9.7.2019

²⁾ Board's recommendation to 2020 General Meeting: repayment (in place of dividend) of nominal value reduction of CHF 1.80 per share