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Oggetto : The Board of Directors approves the
Interim Report at September 30, 2019

Testo del comunicato

Vedi allegato.



Press release

This document contains the “Additional periodic financial information” that the Company makes available to the public, also in compliance with its regulatory obligations as an issuer listed on the STAR segment of Borsa Italiana.

The structure and content of the information contained in this document are unchanged relative to the Interim Reports already published, also in compliance with Article 154-ter, paragraph 5, of the Consolidated Financial Law.

The Board of Directors approves the Interim Report at September 30, 2019

DOUBLE-DIGIT EBITDA MARGIN REFLECTS SOLID MARKET POSITION AND OPERATING EFFICIENCY IMPROVEMENTS

- **CONSOLIDATED NET SALES OF €536.6 MILLION COMPARED WITH €444.8 MILLION AT SEPTEMBER 30, 2018 (+20.6%), THANKS TO THE SIGNIFICANT CONTRIBUTION OF RDM BARCELONA CARTONBOARD CONSOLIDATED AS OF NOVEMBER 1, 2018.**
- **CONSOLIDATED EBITDA OF €56.1 MILLION, UP 12.7% COMPARED WITH €49.8 MILLION AT SEPTEMBER 30, 2018.**
- **CONSOLIDATED EBIT OF €34.1 MILLION, UP 3.5% COMPARED WITH €32.9 MILLION AT SEPTEMBER 30, 2018.**
- **CONSOLIDATED NET PROFIT OF €23.6 MILLION, DOWN SLIGHTLY COMPARED WITH €24.7 MILLION AT SEPTEMBER 30, 2018 (-4.6%).**
- **NET FINANCIAL DEBT OF €72.5 MILLION (€66.8 MILLION AT DECEMBER 31, 2018).**

Milan, November 4, 2019 - The Board of Directors of Reno De Medici S.p.A. met today under the chairmanship of Eric Laflamme, examined and approved the Interim Report at September 30, 2019.

Michele Bianchi, CEO of the RDM Group commented:

“We are committed to achieving a transformation process that continues to yield tangible results, thus proving that we are headed in the right direction. RDM is becoming more resilient and capable of going from strength to strength in facing long-term challenges in the current scenario. Further, we are adapting more successfully and with heightened awareness to short-term fluctuations affecting demand in the various countries.

With the results for the first nine months of 2019, RDM has shown the importance both of having adopted a more efficient cost structure and of increasing our market share in faster-growing areas.

We succeeded in seizing the benefits of a recovering WLC¹ demand in the third quarter, achieving higher organic volumes, and we maintained a disciplined approach to operating profitability, by leveraging on favorable input costs.

¹ White Lined Chipboard segment – coated paperboard for packaging based on a recycled fibers.

The 10.5% level of EBITDA margin confirms that we are well on track, with the integration of RDM Barcelona Cartonboard that will continue to improve its contribution in the coming quarters.”

Group’s performance at September 30, 2019

The third quarter of 2019 saw an acceleration of the positive trend reported in the first six months of the year. The more favorable demand within the markets where in Q3 2019 RDM has long been operating led to increased volumes sold. Reduction in the cost of raw materials and greater efficiencies in the use of both fibers and energy combined with past technical investments enabled the Group to maintain the spread at satisfactory levels, resulting in a double-digit EBITDA margin.

The RDM Group’s core business, WLC (White Lined Chipboard segment – coated paperboard for packaging based on a recycled fibers) accounted for 84% of consolidated sales. In the third quarter of 2019 market demand rose to +0.3% in terms of volumes by the end of September compared with the same period in 2018. At European level, some key differences persisted between countries with a growth (Spain +4.2%; Eastern Europe +1.9%; Italy +0.2%) and countries with a reduced demand (France -4.5%; UK -4%; Germany -2.9%). In Q3 2019 RDM increased its volumes at an organic level by leveraging higher demand in some of the Group’s key markets, which was in contrast to the first half of 2019 when volumes dropped due to weak demand for that period (-0.7%). During Q3 2019 downward pressure on selling prices continued and particularly impacted those countries with a declining demand compared with countries - such as Italy and Spain - that benefitted from a more sustained demand. Overseas markets continued to report a sharper decline in selling prices, although these were higher when compared with the first half of 2019.

The cost of recycled paper, a key factor in production, remained stable for the first half of the year and even fell slightly in the third quarter of 2019. EBITDA thus benefited from lower costs compared with the first nine months of 2018, a success attributable to both price trends and consolidated operating efficiencies in the use of raw materials and energy. As mentioned above, energy costs in Q3 2019 declined compared to the first half of the year thanks to previously agreed purchasing terms in our energy portfolio. While this had a positive impact on Q3 2019, energy costs at the end of September 2019 were actually higher compared with the same period of 2018.

FBB segment (Folding Box Board - cartonboard for folding boxboard based on virgin fibers) accounted for 16% of RDM’s consolidated sales. In the first nine months of 2019, industry-wide market demand shrank by -3.6% in terms of volumes compared with the same period of 2018, improving from on the -4.6% decline recorded in June 2019. The downtrend of virgin pulp costs continued as did the efficiency enhancements in biomass energy generation.

Overall, the contribution of the subsidiary R.D.M. La Rochette to the Group’s EBITDA was an improvement compared with the same period of 2018, thanks to the higher spread between selling prices and operating costs in terms of raw materials and energy. The operating margin of the Group’s sole FBB plant has yet to achieve its full potential as volumes sold in Q3 2019 were impacted by weak demand; the EBITDA margin of La Rochette is therefore below the WLC average for the RDM Group.

The Group’s net profit, which amounted to €23.6 million, was down slightly when compared with €24.7 million at September 30, 2018; the positive EBITDA performance and the lower tax burden were both partly offset by the higher D&A for the recently acquired Barcelona Cartonboard and by the higher financial expenses. At September 30, 2018, consolidated net profit benefited from an income of €3 million from equity investments as a result of the

PAC Service S.p.A fair value evaluation.

In the first nine months of 2019, the Group's scope of consolidation included RDM Barcelona Cartonboard, with effect from November 1, 2018. Before intercompany eliminations, RDM Barcelona Cartonboard contributed €101.3 million to consolidated sales, €6.9 million to EBITDA, and €3.5 million to net profit. The subsidiary's results were in line with the Integration Plan set out at the time of its acquisition.

The main consolidated Income Statement figures at September 30, 2019 follow:

Net consolidated sales amounted to €536.6 million compared with €444.8 million for the same period of the previous year. The increase was mainly attributable to the contribution of the recently acquired Barcelona Cartonboard (€101.3 million). At organic level, sales declined by €9.5 million due to the combined effect of lower selling prices in the WLC segment although this was partially offset by the increase in FBB prices, and of an increase in volumes sold in the third quarter of 2019.

In the first nine months of the year **volumes sold** stood at 894 thousand tons (including Barcelona) compared to 756 thousand tons for the same period of 2018.

At a global level, following the acquisition of Barcelona Cartonboard, the contribution of Italian sales dropped from 33.8% to 28.8% of Group's sales, whereas the figure rose in absolute terms thanks to the increase in volumes sold in this market (€154.5 million compared to €150.7 million in the first nine months of 2018). Europe continued to represent RDM's core market: its contribution increasing from 54.2% (€240.9 million) to 57.5% (€308.8 million). Sales to the rest of the world also grew from 12.0% (€53.2 million) to 13.7% (€73.3 million), as RDM Barcelona usually exports a portion of its products to some of these countries.

The **cost of raw materials and services** amounted to €407.1 million compared to €328.5 million for the same period of 2018, up €78.6 million due mainly, in absolute terms, to the consolidation of Barcelona Cartonboard (€82.7 million). With regard to volumes produced, the cost of raw materials per unit declined thanks to operating efficiencies and lower price trends of recycled and virgin fibers, although energy costs were higher, as stated above.

In the first nine months of 2019, **personnel costs** were at €77.1 million. The €10.8 million increase compared to €66.3 million for the first nine months of 2018 is a function of the inclusion of RDM Barcelona Cartonboard in the consolidation.

In the first nine months of 2019 **gross operating profit (EBITDA)** achieved €56.1 million compared with €49.8 million for the same period of 2018 (+12.7%). EBITDA margin was 10.5% compared with 11.2% for the first nine months of 2018. This lower level reflects, in addition to the above-mentioned business dynamics, the fact that Barcelona Cartonboard's operating margins are currently below the Group's average as it still is in the first phase of integration.

Operating profit (EBIT) amounted to €34.1 million, up compared with €32.9 million at the end of September 2018 mainly as a result of the expansion of the scope of consolidation to include Barcelona Cartonboard.

Consolidated net profit for the period was €23.6 million, slightly lower when compared with €24.7 million at September 30, 2018 (-4.6%). As stated above, the positive EBITDA performance and the lower tax burden were both partly offset by the higher D&A for the recently acquired Barcelona Cartonboard and by the higher financial expenses. Further, at September 30, 2018 consolidated net profit benefited from an income of €3 million from

equity investments as a result of the PAC Service S.p.A. fair value evaluation.

Net financial debt at September 30, 2019 amounted to €72.5 million, up €5.7 million compared with December 31, 2018 (€66.8 million). This change is mostly attributable to the application of the new IFRS 16, which caused a financial liability of €13 million. Net operating cash flow amounted to €23.3 million. It allowed RDM to fund **capital expenditure** in the nine-month period, which amounted to €18.6 million (€17.8 million in the same period of 2018), and pay dividends for an overall amount of €2.6 million. Free cash flow was €5.6 million.

Outlook

RDM Group's short-term outlook remains positive in both the **White Lined Chipboard (WLC)** and **Folding Box Board (FBB)** market segments thanks to a modest recovery in demand and lower costs of both raw materials and energy. These factors are grounds for positive expectations in terms of profitability despite a competitive and increasingly challenging market scenario.

Mr. Luca Rizzo, the officer in charge of drafting the Company's accounting documents, declares pursuant to Art. 154-bis, sub-section 2, of Italian Legislative Decree 58/1998 ("Consolidated Financial Law") that the accounting information contained in this press release corresponds to documentary results and to accounting books and records.

From today, the Interim Report at September 30, 2019 will be available at the Company's registered office in Milan, Viale Isonzo 25, and on the corporate website www.rdmgroup.com (Investor Relations/Financial statements and reports). It will also be searchable on the authorized storage system accessible at the site www.emarketstorage.com.

Attached:

- Consolidated Income Statement at September 30, 2019
- Consolidated Statement of Financial Position at September 30, 2019
- Consolidated Net Financial Position at September 30, 2019
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For further information

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Consolidated Income Statement at September 30, 2019

Consolidated Income Statement	30.09.2019	30.09.2018
(€ thousands)		
Sales	536,606	444,762
Other sales and income	8,596	4,589
Change in inventories of finished goods	(340)	(975)
Cost of raw materials and services	(407,097)	(328,524)
Personnel costs	(77,119)	(66,306)
Other operating costs	(4,557)	(3,758)
Gross operating profit (EBITDA)	56,089	49,788
Depreciation and amortization	(22,008)	(16,875)
Operating profit (EBIT)	34,081	32,913
<i>Financial expense</i>	(3,351)	(1,626)
<i>Gains (losses) on foreign exchange</i>	225	60
<i>Financial income</i>	97	10
Net financial income/(expense)	(3,029)	(1,556)
Income (losses) from equity investments	87	3,172
Taxes	(7,571)	(9,814)
Profit (Loss) for the period	23,568	24,715
Attributable to:		
Group's share of profit (loss) for the period	23,568	24,715
Minority interest in profit (loss) for the period		

Consolidated Statement of Financial Position at September 30, 2019

Statement of Financial Position - ASSETS	30.09.2019	31.12.2018
(€ thousands)		
Non-current assets		
Property, plant and equipment	241,530	245,900
Right-of-use assets	12,867	
Goodwill	4,845	4,845
Other intangible assets	13,364	13,745
Equity investments	706	694
Deferred tax assets	658	678
Other receivables	5,295	8,710
Total non-current assets	279,265	274,572
Current assets		
Inventories	106,437	107,138
Trade receivables	93,123	79,969
Other receivables	16,291	11,766
Derivative instruments	738	
Cash and cash equivalents	24,075	31,180
Total current assets	240,664	230,053
TOTAL ASSETS	519,929	504,625

Statement of Financial Position - EQUITY AND LIABILITIES	30.09.2019	31.12.2018
(€ thousands)		
Equity		
Equity attributable to the Group	215,680	194,818
Total equity	215,680	194,818
Non-current liabilities		
Payables to banks and other lenders	68,489	75,858
Derivative instruments	1,134	488
Other payables		104
Deferred tax liabilities	9,392	11,004
Employee benefits	32,549	32,778
Non-current provisions	4,167	4,634
Total non-current liabilities	115,731	124,866
Current liabilities		
Payables to banks and other lenders	27,208	20,354
Derivative instruments	542	296
Trade payables	125,335	130,409
Other payables	25,241	22,502
Current taxes	9,398	8,979
Current provisions	775	2,189
Employee benefits	19	212
Total current liabilities	188,518	184,941
TOTAL EQUITY AND LIABILITIES	519,929	504,625

Consolidated Net Financial Position at September 30, 2019

Net financial position	30.09.2019	31.12.2018	Change
(€ thousand)			
Cash, cash equivalents and short-term financial receivables	24,186	31,686	(7,500)
Short-term financial debt	(27,208)	(21,854)	(5,354)
Valuation of current portion of derivatives	196	(296)	492
Short-term net financial position	(2,826)	9,536	(12,362)
Medium-term financial debt	(68,493)	(75,858)	7,365
Valuation of non-current portion of derivatives	(1,134)	(488)	(646)
Net financial position	(72,453)	(66,810)	(5,643)

Fine Comunicato n.0217-34

Numero di Pagine: 10