



# SPAFID CONNECT

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Oggetto : The Board of Directors approves the Half-Year Financial Report at June 30, 2020

*Testo del comunicato*

Vedi allegato.



## Press release

Information to the public pursuant to CONSOB resolution No. 11971 of May 14, 1999, as subsequently amended and extended.

### The Board of Directors approves the Half-Year Financial Report at June 30, 2020

#### **RDM: RECORD FIRST-HALF RESULTS NET PROFIT UP 49.6%; ALL MARGIN INDICATORS IMPROVED**

- **CONSOLIDATED NET SALES AT €352.3 MILLION, DOWN 2.7% COMPARED WITH €362.2 MILLION AT JUNE 30, 2019.**
- **CONSOLIDATED EBITDA OF €48.5 MILLION, UP 24.5% COMPARED WITH €38.9 MILLION AT JUNE 30, 2019.**
- **CONSOLIDATED EBIT OF €33 MILLION, UP 34.6% COMPARED WITH €24.5 MILLION AT JUNE 30, 2019.**
- **CONSOLIDATED NET PROFIT OF €24.9 MILLION, UP 49.6% COMPARED WITH €16.7 MILLION AT JUNE 30, 2019.**
- **NET FINANCIAL DEBT DOWN TO €38.5 MILLION (€52 MILLION AT DECEMBER 31, 2019).**

Milan, July 30, 2020 - The Board of Directors of Reno De Medici S.p.A. examined and approved the Half-Year Financial Report at June 30, 2020.

Michele Bianchi, CEO of the RDM Group commented:

*“The initiatives taken in recent years, designed to increase the efficiency and solidity of the RDM Group’s performance throughout economic cycles, have proven very strategic in a delicate phase such as the emergency caused by Covid-19 pandemic.*

*Thanks to our multi-asset, multi-country structure, which is increasingly integrated, efficient and reactive, and our strong position in the Southern European market, we were in fact able to take full advantage of the combination of a series of positive factors that emerged during this half-year. On the demand side, we were able to leverage the essential nature of our products, largely intended for the food and pharmaceutical sectors, while the long-term trend towards a focus on more environmentally sustainable packaging solutions continues. At the level of operating costs, we succeeded in benefiting from cost reductions and constantly improving operating efficiency.*

*Our EBITDA margin, which rose to 13.8%, up progressively 3.1 percentage points compared with the first half of 2019, was also attributable to our ability to respond adequately to our clients’ needs, even in completely new and unpredictable situations, as also shown by the results of the customer satisfaction survey conducted during the peak weeks of the health emergency.”*

## Group's performance at June 30, 2020

In the first half of 2020, volumes increased both in the WLC and the FBB market segments. RDM Group reported increases in volumes sold in both business segments. However, in terms of consolidated sales this increase only partially offset the negative impact generated by lower selling prices than in the first half of 2019. Input costs were favorable and showed a decline for both recycled and virgin fibers — as were energy costs compared with the first six months of 2019. The consolidation and generation of further operating efficiencies and synergies, aided by a favorable context, accelerated the improvement of EBITDA margin to 13.8% at the end of June 2020 compared with 10.7% in 2019. The improved EBITDA drove a significant growth in terms of Consolidated Net Profit, also thanks to the contribution of lower net financial expense, which partially offset the increase in amortization, depreciation and taxes.

### Group's performance in the WLC segment at June 30, 2020

The RDM Group's core business, **WLC** (White Lined Chipboard segment – coated paperboard for packaging based on recycled fibers) accounted for 82% of consolidated sales. In the second half of 2019, **market demand** entered in a **positive trend** that gained momentum in early 2020, with growth rates over 2.5% until April 2020, supported in part, at the beginning of the Covid pandemic, by increased demand for food packaging and concerns among packaging manufacturers of future shortages in the cartonboard supply chain. There was a slowdown in May, due mainly to customers' inventory-reduction policies, followed by an increase in June 2020, bringing the total at the end of June 2020 to +1.6% compared with the same period in 2019. Within this context, in the first half of 2020 the RDM Group reported higher-than-market volumes (+1.7%), above all in the geographical areas in which it is the leader in terms of market share. In detail, the **volumes sold by RDM** in the first six months of 2020 exceeded those sold in the same period of 2019. However, on a QoQ basis, volumes rose in the first three months of 2020 compared with the same period of 2019, whereas they declined in the second quarter compared with 2019. As already discussed in previous Reports, although the Covid-19 pandemic has led to the suspension of operations in several industry sectors, cartonboard production continued, as it is an essential component of various types of packaging, primarily in the agri-food and pharmaceutical sectors, which represent the main end market for RDM's products. In the non-food and graphical applications sectors, demand declined, resulting in the need, in the second quarter of 2020, to plan stoppages at the Ovaro plant, whose products are generally intended for such uses. The performance in terms of volumes was therefore negatively impacted by both the halt at the Villa Santa Lucia plant in the first quarter following the seizure of Cosilam Consortium's wastewater treatment plant and the stoppages at the Ovaro plant due to slower market conditions.

Turning to the **main production factors**, throughout almost the entire first quarter of 2020 the **cost of recycled paper** remained at the lowest levels reached in late 2019, and then in March 2020 showed the first signs of a sudden recovery, which continued throughout April and May 2020. This was a consequence of the decline in supply due to temporary stoppage measures for industrial and commercial businesses and limitations on individual movement, implemented by various countries to contain the spread of the Covid pandemic. In late May 2020, owing in part to the recovery of supply the reopening of many industrial and commercial businesses and the concurrent weak demand in many sectors, particularly in industrial business, upwards price trends began to reverse.

At the level of **energy costs**, the second quarter of 2020 RDM reaped the greater benefits of its forward purchasing policy and recorded lower energy costs compared with the same period of 2019.

In the second quarter of 2020, the RDM Group's **selling prices** were in line with those applied in the first quarter of 2020. In the first half of 2020, selling prices were overall lower than those applied in the same period of 2019, as a result of the downtrend which began in the second half of 2019 and the lower cost of raw materials. The increase in volumes sold experienced by RDM at the end of June 2020 only partially offset the effect that lower selling prices had on consolidated net sales.

Given this positive context in terms of demand and trend of the main production factors, the Group's **EBITDA** accelerated, aided by the several efficiency enhancements and integration programs launched by RDM at the beginning of 2017. EBITDA margin for the WLC segment stood at **14.6%** in the first half of 2020 compared with 11.9% reported in the same period of 2019.

#### Group's performance in the FBB segment at June 30, 2020

The **FBB segment** (Folding Box Board - cartonboard for folding boxboard based on virgin fibers) accounted for 18% of RDM's consolidated sales. With regard to this segment, the second quarter of 2020 saw the consolidation of the upwards **demand** trend that had begun in the first quarter of 2020 and marked a +5.3% in terms of volume at the end of June 2020 compared with the same period of 2019.

**Virgin pulp costs** declined compared with the first half of 2019, confirming the downward trend that had emerged in the second half of 2018 and essentially stabilized in the first six months of 2020.

The first quarter of 2020 showed a further decrease in **energy costs**.

In the context of robust demand, the French subsidiary La Rochette outperformed the market, increasing by 8.3% the tons sold in the first half of 2020 compared with the same period of 2019. The volume increase offset the lower **selling prices** compared with the first half of 2019 and, together with the favorable price trend of virgin fibers and energy, led to the increase of the FBB segment's contribution to the Group's EBITDA. In fact, the French subsidiary's EBITDA margin exceeded its historical average, albeit remaining below the EBITDA reported by the RDM Group's core business.

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The **Group's net profit**, amounting to €24.9 million grew compared with €16.7 million at June 30, 2019 (+49.6%) and reflects the positive EBITDA performance (+€9.5 million) and lower financial expense (€800 thousand) that offset higher amortization and depreciation (€1 million) and higher taxes (€1 million).

*The main consolidated Income Statement figures at June 30, 2020 follow:*

**Consolidated net sales** amounted to €352.3 million compared with €362.2 million for the same period of 2019. The decline of €9.9 million was mainly attributable to the selling prices following their downtrend begun in the second half of 2019 and the low cost of raw materials. The **tons sold** during H1 2020 by the RDM Group reached 614 thousand units, compared with 602 thousand sold during the same period of 2019.

In terms of geographical markets, the pro-rata contribution of sales was unchanged compared with June 30, 2019. Europe continued to represent the RDM Group's core market and its contribution stood at 57.9% (€203.9 million)

compared with 58.3% (€211 million) at June 30, 2019. Italian sales accounted for 29% (€102.1 million) compared with 28.5% (€103.3 million) at June 30, 2019. Sales to the rest of the world remained stable at 13.1% (€46.3 million) compared with 13.2% (€48 million) in 2019.

The **cost of raw materials and services** amounted to €247.2 million, down €31 million compared with the same period of 2019 (€278.3 million). This item benefited from the positive trend reported by both recycled and virgin fibers and energy sources, in particular natural gas which represents the RDM Group's main component, as well as from the consolidation of the efficient use of these production factors.

In the first half of 2020, **personnel costs** amounted to €54.3 million, up by €1.8 million compared with the same period of 2019 (€52.5 million). This change was attributable to the contractual increases, the productivity improvement, as well as the accrual in the period of the 2020-2022 incentive plans for top management based on performance phantom shares and stock grants.

In the first half of 2020, **gross operating profit (EBITDA)** stood at €48.5 million compared with €38.9 million for the same period of 2019 (+24.5%). The Group's EBITDA margin was 13.8%, up compared with 10.7% for the same period of 2019.

**Consolidated operating profit (EBIT)** amounted to €33 million, up (+34.6%) compared with €24.5 million at the end of June 2019. In the first half of 2020, amortization and depreciation grew to €15.4 million compared with €14.4 million for the same period of 2019.

**Consolidated net profit** amounted to €24.9 million, up compared with €16.7 million at June 30, 2019 (+49.6%). This increase reflects mainly the positive EBITDA performance (+€9.5 million) which, together with the lower financial expense (€800 thousand), allowed the Group to offset higher amortization and depreciation (€1 million) and higher taxes (€1 million). The tax rate dropped from 25.2% to 21% and total taxes were €6.6 million at June 30, 2020 compared with €5.6 million for the same period of 2019, thanks to the greater taxable income generated by some companies that have tax losses carryforward.

**Consolidated net financial debt** at June 30, 2020 amounted to €38.5 million, down €13.5 million compared with €52 million at December 31, 2019. In the period under review, RDM paid €3million of dividends, up 14.3% compared with the previous year.

In the first half of 2020, the Group's **capital expenditure** amounted to €5.2 million, compared with €9.8 million in 2019. Compared with the same period of the previous year, capital expenditure was impacted by the Covid-19 emergency. In addition, capital expenditure in the first-half of the year is typically limited as strategic investments are concentrated during the holiday periods of August and December.

## *Outlook*

The current situation is obviously impacted by the uncertainty due to the Covid-19 emergency. The first element to be considered is the duration of the global recession and its impact, depending on the curve of the recession, on the sector in which the RDM Group operates. The second one is the risk that the health emergency may resume. In addition, precisely how the current economic support measures recently approved by the European Community will be implemented is not yet clear.

In the RDM Group's core business, **White Lined Chipboard** (WLC), the short-term outlook (second half of the year) is characterized by uncertainties at the level of volumes, as a consequence of the recession that followed on the March-May shutdown period, as well as of the negative growth prospects for the various economies. The prices of recycled paper, after declining further in the first quarter of 2020 and subsequently increasing sharply in the second quarter as a result of the decrease in waste collection, are once again dropping. The duration and impact of the downtrend are essentially tied to the continuing recession in those sectors of the paper industry mainly linked to types of manufacturing deemed to be non-essential. Selling prices were essentially flat in the first half of the year. The effect of the price increase announced in May, the duration of which may be expected to correlate with recycled paper price trends, will begin to be seen in July.

The same considerations as for the WLC segment also apply in the **Folding Box Board** (FBB) segment. The slight uptrend in raw material prices was fueled by heightened demand in certain sectors and segments positively impacted by the current emergency, greater use due to the replacement of recycled grades with virgin due to reduced collection and recycling and the recovery of global demand for commodities. Selling prices are expected to remain essentially unchanged in the second half of 2020.

The second half of the year is expected to more challenging in term of volume with normal season downtime during the summer period and less robust demand; however, the foreseeable decrease in volumes may be offset by a positive trend of sales prices and raw materials costs. The true element of uncertainty remains demand tied to consumption, which we hope may be sustained by the national and European economic recovery measures that will be implemented.

## *Key events*

Regarding Covid-19 emergency, the Board of Directors examined the 2020 budget figures and 2021-2023 plans and did not identify any elements classifiable as indicators of impairment of the cash-generating units and other assets as of June 30, 2020, therefore confirming the values on the books as of December 31, 2019.

For any further information please refer to Half-Year Financial Report as of June 30, 2020.

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*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.*

*This document is an English translation from Italian. The Italian original shall prevail in case of difference in interpretation and/or factual errors.*

From today, the Half-Year Financial Report as of June 30, 2020 is available at the Company's registered office in Milan, Viale Isonzo 25, and on the corporate website [www.rdmgroup.com](http://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](http://www.emarketstorage.com).

**Attached:**

- Consolidated Income Statement at June 30, 2020
- Consolidated Statement of Comprehensive Income at June 30, 2020
- Consolidated Statement of Financial Position at June 30, 2020
- Consolidated Statement of Cash Flows at June 30, 2020

**For further information**

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## Consolidated Income Statement at June 30, 2020

	<b>06.30.2020</b>	<b>06.30.2019</b>
<b>(thousands of Euro)</b>		
Revenues from sales	352,327	362,235
- of which related parties	6,710	5,880
Other revenues	8,150	5,594
- of which related parties	43	50
Change in inventories of finished goods	(6,989)	4,588
Cost of raw materials and services	(247,250)	(278,289)
- of which related parties	(68)	(102)
Personnel cost	(54,287)	(52,487)
Other operating costs	(3,489)	(2,725)
<b>Gross operating profit</b>	<b>48,462</b>	<b>38,916</b>
Depreciation and amortization	(15,444)	(14,395)
<b>Operating profit</b>	<b>33,018</b>	<b>24,521</b>
<i>Financial expense</i>	(1,543)	(2,331)
<i>Gains (losses) on foreign exchange</i>	(193)	(75)
<i>Financial income</i>	293	77
Net financial income (expense)	(1,443)	(2,329)
Gains (losses) on investments	(17)	86
Taxes	(6,634)	(5,620)
<b>Profit (loss) for the period</b>	<b>24,924</b>	<b>16,658</b>
Total profit (loss) for the period attributable to:		
- Group	24,924	16,658
- Minority interests		
Average number of shares		
Basic	377,401,841	377,543,310
Diluted	377,401,841	377,543,310
Basic earnings (loss) per ordinary share (Euro)	0.07	0.06
Diluted earnings (loss) per ordinary share (Euro)	0.07	0.06



## Consolidated Statement of Comprehensive Income at June 30, 2020

	06.30.2020	06.30.2019
<b>(thousands of Euro)</b>		
<b>Profit (loss) for the period</b>	<b>24,924</b>	<b>16,658</b>
<b>Other components of comprehensive profit (loss)</b>		
<b>Other components that may be transferred to the income statement in subsequent financial periods:</b>	<b>(29)</b>	<b>14</b>
<i>Change in fair value of cash flow hedges</i>	68	19
<i>Profit (loss) on translation of financial statements of foreign investee companies</i>	(97)	(5)
<b>Total components of comprehensive profit (loss)</b>	<b>(29)</b>	<b>14</b>
<b>Total comprehensive profit (loss)</b>	<b>24,895</b>	<b>16,672</b>
Total comprehensive profit (loss) attributed to:		
- Group	<b>24,895</b>	<b>16,672</b>
- Minority interests		

## Consolidated Statement of Financial Position at June 30, 2020

	06.30.2020	12.31.2019
<b>(thousands of Euro)</b>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Tangible assets	224,281	232,586
Right of Use	11,864	12,371
Goodwill	4,389	4,389
Intangible assets	13,402	13,632
Intangible assets with an indefinite useful life	2,736	2,736
Equity investments	660	810
Deferred tax assets	358	389
Other receivables	5,510	5,518
<b>Total non-current assets</b>	<b>263,200</b>	<b>272,431</b>
<b>Current assets</b>		
Inventories	106,523	108,948
Trade receivables	77,992	70,317
Receivables from associates and joint ventures	7,775	6,812
Other receivables	15,836	16,552
Cash and cash equivalents	40,513	40,382
<b>Total current assets</b>	<b>248,639</b>	<b>243,011</b>
<b>TOTAL ASSETS</b>	<b>511,839</b>	<b>515,442</b>

	06.30.2020	12.31.2019
<b>(thousands of Euro)</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Shareholders' equity</b>		
Share capital	140,000	140,000
Other reserves	28,358	27,478
Retained earnings (losses)	34,194	22,403
Profit (loss) for the period	24,924	15,597
<b>Shareholders' equity attributable to the Group</b>	<b>227,476</b>	<b>205,478</b>
Minority interests		
<b>Total shareholders' equity</b>	<b>227,476</b>	<b>205,478</b>
<b>Non-current liabilities</b>		
Payables to banks and other lenders	54,786	63,986
Derivative instruments	636	752
Deferred taxes liabilities	8,182	8,660
Employee benefits	36,166	36,410
Non-current provision for risks and charges	4,979	4,221
<b>Total non-current liabilities</b>	<b>104,749</b>	<b>114,029</b>
<b>Current liabilities</b>		
Payables to banks and other lenders	21,716	25,610
Derivative instruments	1,908	2,211
Trade payables	126,579	141,209
- of which <i>related parties</i>		2
Other payables	24,919	22,952
Other Payables to associates and joint ventures	101	101
Current taxes	3,535	2,884
Employee benefits		98
Current provision for risks and charges	856	870
<b>Total current liabilities</b>	<b>179,614</b>	<b>195,935</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>511,839</b>	<b>515,442</b>

## Consolidated Statement of Cash Flows at June 30, 2020

	<b>06.30.2020</b>	<b>06.30.2019</b>
<b>(thousands of Euro)</b>		
Profit (Loss) for the period	24,924	16,658
Taxes	6,634	5,620
Depreciation and amortization	15,444	14,395
Financial (income) expense	1,443	2,329
Write-downs (revaluations) of financial assets	17	(67)
Capital losses (gains) on sale of fixed assets	5	(11)
Change in provisions for in employee benefits and in other provisions including the provision for bad and doubtful receivables	1,036	(2,141)
Change in inventories	2,620	(5,032)
Change in trade receivables	(9,066)	(11,330)
- of which related parties		
Change in trade payables	(14,582)	5,371
- of which related parties		
<b>Total change in working capital</b>	<b>(21,028)</b>	<b>(10,991)</b>
<b>Gross cash flows</b>	<b>28,475</b>	<b>25,792</b>
Interest paid in the year	(1,234)	(1,767)
Taxes paid in the year	(4,501)	(1,531)
<b>Cash flow from operating activities</b>	<b>22,740</b>	<b>22,494</b>
Other equity investments	(4)	1
Investment net of disinvestment in tangible and intangible assets	(5,177)	(9,385)
Dividends received	138	62
<b>Cash flow from investing activities</b>	<b>(5,043)</b>	<b>(9,322)</b>
Dividends paid	(3,009)	(2,633)
Treasury shares	(148)	
Change in other financial assets and liabilities and short-term bank debts	(14,338)	(11,534)
- of which related parties		
Change in medium/long-term loans		(224)
<b>Cash flow from financing activities</b>	<b>(17,495)</b>	<b>(14,391)</b>
<b>Exchange rate translation differences</b>	<b>(71)</b>	<b>(4)</b>
<b>Change in unrestricted cash and cash equivalents</b>	<b>131</b>	<b>(1,223)</b>
<b>Unrestricted cash and cash equivalents at the beginning of the period</b>	<b>40,382</b>	<b>31,181</b>
<b>Unrestricted cash and cash equivalents at the end of the period</b>	<b>40,513</b>	<b>29,960</b>

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Numero di Pagine: 13