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Oggetto : The Board of Directors approves the
Interim Report at September 30, 2020

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, 2020

**EBITDA MARGIN AT 13% PROVES THE EFFECTIVENESS OF BUSINESS STRATEGY.
STRONG NET PROFIT GROWTH (+43.8%).**

- **CONSOLIDATED NET SALES AT €518.2 MILLION, DOWN 3.4% COMPARED WITH €536.6 MILLION AT SEPTEMBER 30, 2019.**
- **CONSOLIDATED EBITDA OF €67.6 MILLION, UP 20.6% COMPARED WITH €56.1 MILLION AT SEPTEMBER 30, 2019.**
- **CONSOLIDATED EBIT OF €44.2 MILLION, UP 29.6% COMPARED WITH €34.1 MILLION AT SEPTEMBER 30, 2019.**
- **CONSOLIDATED NET PROFIT OF €33.9 MILLION, UP 43.8% COMPARED WITH €23.6 MILLION AT SEPTEMBER 30, 2019.**
- **NET FINANCIAL DEBT DOWN TO €27.8 MILLION (€52 MILLION AT DECEMBER 31, 2019).**
- **ORDINARY SHAREHOLDERS’ MEETING CONVENED FOR THE APPOINTMENT OF THE STATUTORY AUDITORS FOR THE NINE YEARS PERIOD 2021-2029.**

Milan, November 4, 2020 - The Board of Directors of Reno De Medici S.p.A. examined and approved the Interim Report at September 30, 2020.

Michele Bianchi, CEO of the RDM Group commented:

“The 13% EBITDA margin achieved for the first nine months of 2020 confirms the effectiveness and the resiliency of the business strategy that has been deployed over the last three years. The efficiency-building and integration-enhancing programs that we have long been executing, with a professional and strategic response from management in adapting business governance to the new context, proved to be successful.

The sharp increase in EBIT and net profit are also proof that the RDM Group has succeeded in leveraging positive external factors — first of all, the exposure of our cartonboard to essential end-uses, but also the favorable evolution of raw material and energy costs.

Given the quality of nine-months 2020 earnings, we can look back with satisfaction at our journey so far, during a year deeply marked by the consequences of the pandemic,” CEO Michele Bianchi continued. “In light of the drivers behind these results, we may look with confidence to the evolution of our performance in the final months of the year.”

Group's performance at September 30, 2020

Market volumes increased in the first nine months of 2020, moderately in the WLC segment and more sharply in the FBB segment. The RDM Group reported increases in volumes sold in both business segments. However, in terms of Consolidated Net Sales this increase only partly offset the negative impact generated by lower selling prices than in the same period of 2019. Input costs were favorable and showed a decline for both recycled and virgin fibers – as were energy costs compared with the first nine months of 2019. The consolidation and generation of further operating efficiencies and synergies, aided by a favorable context, accelerated the improvement of EBITDA to 13% at the end of September 2020 compared with 10.5% in the same period of 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 D&A and taxes.

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

The RDM Group's core business, **WLC** (White Lined Chipboard segment – coated paperboard for packaging based on recycled fibers) accounted for 83% of consolidated sales. In the second half of 2019, **market demand** entered in a **positive trend** that gained momentum in early 2020 and was supported, 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. In the third quarter of 2020, this trend was partially reversed as several clients implemented destocking strategies for the inventories built up in previous months. Overall, in the first nine months of 2020, growth amounted to +0.2% by volume compared to the same period of 2019.

Within this environment, the **volumes sold by RDM** at the end of September 2020 were in line with the same period of 2019 (+0.1%). As already discussed in previous Reports, cartonboard production continued despite the Covid-19 pandemic, 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. By contrast, demand declined in the non-food and graphical applications sectors, resulting in the need to plan stoppages at the Ovaro plant in the first half of the year, followed by a moderate recovery in the third quarter of 2020. The performance in terms of volumes was therefore affected by both the halt at the Villa Santa Lucia plant in the first quarter — following the seizure of Cosilam Consortium's wastewater treatment plant by the competent judicial authority — and the stoppage of the Ovaro plant due to slower market condition.

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 late 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. Near the end of the second quarter of 2020, and throughout the third quarter of the year, upwards price trends began to reverse, owing in part to the recovery of supply following the reopening of many industrial and commercial businesses and the concurrent weak demand in many sectors, particularly in industrial business. Overall, raw material prices in the first nine months of 2020 were lower than in the same period of 2019.

At the level of **energy costs**, in the third quarter of 2020 RDM continued to reap the greater benefits of its forward purchasing policy and recorded lower energy costs compared with the same period of 2019.

The **selling prices** of the RDM Group in the first nine months of 2020 were lower than those charged in the same period of 2019, as a result of the downtrend which began in the second half of 2019 and the low cost of raw materials. The increase in volumes sold achieved by RDM at the end of September 2020 only partially offset the effect of lower selling prices on Consolidated Net Sales.

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

The **FBB segment** (Folding Box Board - cartonboard for folding boxboard based on virgin fibers) accounted for 17% of RDM's consolidated sales. With regard to this segment, in the third quarter of 2020 **demand** continued the uptrend that began in previous quarters, with volumes up +5.1% at the end of September 2020 compared with the same period of 2019.

Virgin pulp costs remained lower than in the same period of 2019, confirming the downward trend that had emerged in the second half of 2018 and essentially stabilized in the first nine months of 2020.

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

In the context of steady robust demand, the French subsidiary La Rochette outperformed the market, increasing by 7.6% the tons sold in the first nine months of 2020 compared with the same period of 2019. The volume increase offset the lower **selling prices** compared with the first nine months 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 margin reached in the RDM Group's core business.

Given such a positive context in terms of demand and evolution of the main production factors, the Group's **EBITDA margin** accelerated, fueled by several efficiency and integration programs launched by RDM at the beginning of 2017. Overall EBITDA margin stood at **13%** in the first nine months of 2020 compared with 10.5% for the same period of 2019.

The **Group's net profit**, which amounts to €33.9 million, grew compared with €23.6 million at September 30, 2019 (+43.8%). It reflects the positive EBITDA performance (+€11.5 million) and lower financial expense (€1.6 million) that partially offset higher amortization and depreciation (€1.4 million) and higher taxes (€1.3 million).

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

Consolidated Net Sales amounted to €518.2 million compared with €536.6 million for the same period of the previous year. The reduction was due to the decrease in average selling prices reported by both the WLC and the FBB segments, partly offset by the increase in volumes sold in the first nine months of 2020, mainly in the FBB segment. The **tons** sold by the RDM Group at September 30, 2020 reached 901 thousand units compared with 894 thousand units sold in the same period of the previous year.

In terms of geographical markets, their contribution to Consolidated Net Sales remained unchanged compared with September 30, 2019. Europe continued to represent the RDM Group's core market and its contribution stood at 57.1% (€296.2 million) compared with 57.5% (€308.8 million) at September 30, 2019. Italian sales accounted for 29.3% (€151.7 million) compared with 28.8% (€154.5 million) at September 30, 2019. Oversea Sales remained stable at 13.6% (€70.3 million) compared with 13.7% (€73.3 million) in 2019.

The **cost of raw materials and services** amounted to €363.2 million, down €43.9 million compared with the same period of 2019 (€407.1 million). This cost benefited from the favorable evolution in both recycled and virgin fibers and energy sources, in particular natural gas which represents the RDM Group's main source. The consolidation of the efficient use of these production factors also played a positive role.

Personnel costs amounted to €79.8 million, up by €2.7 million compared with the same period of 2019 (€77.1 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 nine months of 2020, **gross operating profit (EBITDA)** stood at €67.6 million compared with €56.1 million for the same period of 2019 (+20.6%). The Group's EBITDA margin was 13%, up compared with 10.5% for the same period of 2019.

Consolidated operating profit (EBIT) amounted to €44.2 million, up (+29.6%) compared with €34.1 million at the end of September 2019. In the first nine months of 2020, amortization and depreciation grew to €23.4 million compared with €22 million for the same period of 2019.

Consolidated net profit amounted to €33.9 million, up compared with €23.6 million at September 30, 2019 (+43.8%). This increase reflects mainly the positive EBITDA performance (+€11.5 million) which, together with the lower financial expense (€1.6 million), allowed the Group to partially offset higher amortization and depreciation (€1.4 million) and higher taxes (€1.3 million).

Consolidated net financial debt at September 30, 2020 amounted to €27.8 million, down €24.2 million compared with €52 million at December 31, 2019. The improvement in financial position was essentially due to the increase in EBITDA, only partially offset by the higher level of working capital. The financial situation — and in particular collections from clients — was only marginally affected by the Covid-19 emergency, with a limited increase in the level of past-due accounts.

Among financial transactions, worth of notice are the payment of dividends (€3 million) and the purchase of Friulia S.p.A.'s stake in R.D.M. Ovaro S.p.A. (€0.7 million).

In the first nine months of 2020, the Group's **capital expenditure** amounted to €13.4 million, compared with €18.6 million in 2019. With respect to the same period of the previous year, capital expenditure was impacted, and therefore slowed down, by the Covid-19 emergency. Major investments included pulp preparation and the work done on Villa Santa Lucia's gas turbine, the new boiler at Santa Giustina and the upgrade of the water disposal system at La Rochette. It should be noted that the implementation of the new ERP system continued at all Group companies, starting from Ovaro mill.

Outlook

The current situation is characterized by the second wave of the health emergency. Its length and possible effects are obviously difficult to predict.

The new health emergency clearly makes it even more difficult to foresee the length of the recession triggered by the outbreak of the pandemic in March 2020 and its effects on the global economy. There also continue to be doubts regarding the scope and conditions of the interventions in support of the economy and their possible effects on the current recession.

Our good volume performance in the first half of 2020, mainly due to the essential nature of our products, the ability we have shown thus far to manage the emergency and ensure continuity of production and our overall positive volume performance in the third quarter of 2020 allow us to exclude particularly negative effects for the last part of the year, which will be nonetheless subject to uncertainty factors.

In the RDM Group's core business, **White Lined Chipboard (WLC)**, the short-term outlook (fourth quarter) continues to be characterized by uncertainties regarding the general economy, yet positive in view of the need for greater volumes as a consequence of the new Covid-19 emergency at the global level. After rising sharply in the second quarter as a result of decreased collection, the prices of recycled paper declined equally sharply in the third quarter, with prices recovering at the end of the summer holiday period, essentially due to increased demand relating to the launch of corrugated containerboard paper production capacity. Prices will continue to be influenced by the economic activity levels expected as a result of the pandemic. Selling prices were essentially flat in the first half of the year. The effect of the price increase announced in May began to be seen in July, as a consequence of the rise in raw material prices, followed by a decline in September. Despite the trends recorded, value added at the end of the year is expected to be in line with the previous year.

The same considerations as for the WLC sector also apply to the **Folding Box Board (FBB)** sector, with the only difference being the excellent increase in volumes in the third quarter, despite the global emergency and recession. The slight increase in raw material prices was due to an increase in demand in some sectors and segments positively affected by the ongoing emergency and to the resumption of global demand for the commodity — a factor that will need to be verified in full, given the recent development of the pandemic. Selling prices are expected to remain essentially unchanged in the second half of 2020.

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 September 30, 2020, therefore confirming the values on the books as of December 31, 2019.

For any further information please refer to Interim Report as of September 30, 2020.

Ordinary Shareholders' Meeting

Lastly, the Board of Directors has convened the Ordinary Shareholders Meeting, whose notice of call will be published in the terms and modalities provided by law, for December 14, 2020 in first call and for December 15, 2020 in second call, if any, for the appointment of the Board of Statutory Auditors for the nine years period 2021-2029.

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 Interim Report at September 30, 2020 is 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, 2020
- Consolidated Statement of Financial Position at September 30, 2020
- Consolidated Net Financial Position at September 30, 2020

For further information

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Consolidated Income Statement at September 30, 2020

Consolidated Income Statement	09.30.2020	09.30.2019	
(€ thousands)			
Sales	518,215	536,606	
Other sales and income	10,064	8,596	
Change in inventories of finished goods	(12,631)	(340)	
Cost of raw materials and services	(363,224)	(407,097)	
Personnel costs	(79,797)	(77,119)	
Other operating costs	(5,003)	(4,557)	
Gross operating profit (EBITDA)	67,624	56,089	
Depreciation, amortization and write-downs	(23,444)	(22,008)	
Operating profit (EBIT)	44,180	34,081	
	<i>Financial expense</i>	(2,220)	(3,351)
	<i>Gains (losses) on foreign exchange</i>	(526)	225
	<i>Financial income</i>	1,333	97
Net financial income/(expense)	(1,413)	(3,029)	
Income (losses) from equity investments		87	
Taxes	(8,869)	(7,571)	
Profit (Loss) for the period	33,898	23,568	
Attributable to:			
Group's share of profit (loss) for the period	33,898	23,568	
Minority interest in profit (loss) for the period			

Consolidated Statement of Financial Position at September 30, 2020

Statement of Financial Position - ASSETS	09.30.2020	12.31.2019
(€ thousand)		
Non-current assets		
Property, plant and equipment	225,372	232,586
Right-of-use assets	12,218	12,371
Goodwill	4,389	4,389
Other intangible assets	16,135	16,368
Equity investments	679	810
Deferred tax assets	249	389
Other receivables	5,397	5,518
Total non-current assets	264,439	272,431
Current assets		
Inventories	100,285	108,948
Trade receivables	81,111	77,129
Other receivables	17,172	16,552
Derivative instruments		
Cash and cash equivalents	45,054	40,382
Total current assets	243,622	243,011
TOTAL ASSETS	508,061	515,442

Statement of Financial Position - EQUITY AND LIABILITIES	09.30.2020	12.31.2019
(€ thousands)		
Equity		
Equity attributable to the Group	235,240	205,478
Total equity	235,240	205,478
Non-current liabilities		
Payables to banks and other lenders	50,122	63,986
Derivative instruments	486	752
Deferred tax liabilities	8,240	8,660
Employee benefits	35,892	36,410
Non-current provisions	5,525	4,221
Total non-current liabilities	100,265	114,029
Current liabilities		
Payables to banks and other lenders	21,555	25,610
Derivative instruments	805	2,211
Trade payables	119,051	141,209
Other payables	25,647	23,053
Current taxes	4,449	2,884
Current provisions	918	870
Employee benefits	131	98
Total current liabilities	172,556	195,935
TOTAL EQUITY AND LIABILITIES	508,061	515,442

Consolidated Net Financial position at September 30, 2020

Net financial position	09.30.2020	12.31.2019	Change
(€ thousands)			
Cash, cash equivalents and short-term financial receivables	45,179	40,529	4,650
Short-term financial debt	(21,555)	(25,610)	4,055
Valuation of current portion of derivatives	(805)	(2,211)	1,406
Short-term net financial position	22,819	12,708	10,111
Medium-term financial debt	(50,122)	(63,986)	13,864
Valuation of non-current portion of derivatives	(486)	(752)	266
Net financial position	(27,789)	(52,030)	24,241

Fine Comunicato n.0217-63

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