Press information

Grammer AG: First half of 2020 significantly impacted by the effects of the COVID-19 pandemic

- *Group revenue declines by 30 percent to 735.8 million euros in the first six month*
- *EBIT impacted by one-time effects amounting to -24.2 million euros*
- *Operating EBIT of -45.7 million euros in the first half of the year*
- *Increase in existing syndicated loan successfully completed*
- *Specific full-year forecast for 2020 still not possible due to COVID-19-related uncertainties*

Ursensollen, August 13, 2020 – Grammer AG sustained a significant decline in revenue and earnings in the first half of 2020. This is primarily due to production stops caused by the global COVID-19 pandemic and the related drastic decline in customer call-offs. Thus, Group revenue dropped by 30.0 percent in the first six months of the year to 735.8 million euros (01-06 2019: 1,051.5 million euros). The impact of the lower demand caused by the COVID-19 pandemic coincided with the weakness that had already been emerging in sales markets in all regions since the second half of 2019.

Impact of COVID-19 and one-time effects leaving deep traces on earnings

Earnings before interest and taxes (EBIT) amounted to -53.0 million euros in the first half of the year (01-06 2019: 50.2 million euros). This also includes one-time effects of a total of -24.2 million euros, of which a significant portion is attributable to inventory devaluation. Accordingly, operating EBIT fell to -45.7 million euros (01-06 2019: 50.1 million euros). In particular, currency translation effects as well as the directly attributable costs for corona-related protection and response measures were eliminated from operating EBIT. The operating EBIT margin came to -6.2 percent (01-06 2019: 4.8 percent).

“The unprecedented impact of the COVID-19 pandemic hit us as a supplier to the global automotive industry particularly hard in EMEA and the Americas in the second quarter. However, in the APAC region we are seeing first signs of a recovery in our business. Thus, revenue in China was up again on the previous year in the second quarter,” says **Thorsten Seehars, Chief Executive Officer of Grammer AG**, explaining the current situation. “We adopted measures at an early stage to get through the COVID-19 crisis safely and have been systematically continuing our performance program. At the same time, we are currently reorganizing our global structures to make them leaner and more flexible.”

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EMEA and the Americas impacted significantly by the COVID-19 pandemic in the second quarter – slight recovery in APAC

At the beginning of the year, decisive measures to contain the coronavirus were initially only necessary in China before Europe and the United States also took similar steps. In China, Grammer had temporarily closed its plants at the end of January 2020 in response to government orders. However, production was resumed there again step by step from the beginning of March. In mid-March, many customers discontinued production at their European and American plants, forcing Grammer to likewise close down its facilities, resulting in a significant decline in demand in all three regions.

APAC (Asia Pacific) was hit by the government-ordered shutdown of production plants in China especially in the first quarter. Revenue increased again in the second quarter of 2020 due to market recovery and the ramp-up of production together with the effects of a positive customer mix, rising by 8.4 percent over the same quarter in the previous year to 86.1 million euros (Q2 2019: 79.4 million euros). In the first half of 2020 as a whole, APAC revenue reached 139.7 million euros (down 7.9 percent). EMEA (Europe, Middle East and Africa) sustained a substantial decline in revenue in the second quarter in particular as a result of the corona-induced plant lockdowns from mid-March, with revenue dropping by 48.8 percent in the second quarter. Revenue in the period from January through June 2020 reached 411.2 million euros in EMEA (down 30.9 percent). A similar trend emerged in the Americas (North, Central and South America) in the first half of the year, in which revenue fell to 184.9 million euros (down 39.3 percent). Revenue declined by 68.5 percent in this region in the second quarter.

Revenue down in both divisions

The weaker demand had a significant impact on both divisions in the second quarter. The reason for the lower revenue in the Automotive Division in the first half of the year was the contraction of the global automotive markets that had already emerged at the beginning of the year together with the substantial impact of the COVID-19 pandemic in all markets addressed by Grammer. Consequently, revenue in the Automotive Division dropped by 33.0 percent to 499.1 million euros. Despite the cost reduction measures implemented, operating EBIT in this division fell to -57.9 million euros (01-06 2019: 27.1 million euros) due to capacity shortfalls and one-time effects.

The Commercial Vehicles Division sustained a decline of 22.8 percent in revenue to 256.6 million euros in the first half of 2020. The still relatively high demand in the first quarter of 2020 in both OEM and aftermarket business could only partially compensate for lower customer call-offs caused by global plant closures in the second quarter. Operating EBIT came to 14.5 million euros (01-06 2019: 32.3 million euros).

Despite the COVID-19-related decline in revenue, Grammer outperformed the overall market in all three regions in the period under review. In this regard, both the Automotive and the Commercial Vehicles Divisions benefited from gains in market share and their respective customer mix. This applies in particular to the Commercial Vehicles Division. With its broad product portfolio targeted at various industries and market segments, Grammer has a very solid foundation.

Successful financing measures

In response to the worldwide sales crisis triggered by COVID-19, the Executive Board of Grammer AG initiated extensive liquidity preservation and cost management precautions at any early stage. This included the introduction of short-time working, reductions in variable expenses and capital expenditure together with a strict focus on cash flow management and the initiation of financing measures. Thus, in the first quarter of 2020, a hybrid loan with equity character with a volume of 19.1 million euros was raised and the syndicated loan contract for was refinanced by 150.0 million euros and 80.0 million USD at an early stage.

Furthermore, on August 12, 2020, Grammer was also able to add a C tranche to the syndicated loan contract that had been entered in the first quarter of the year, increasing it by 235 million euros. In addition to Grammer's core banks, the KfW was also involved as a direct lender under the special program "direct participation in syndicated finance". Among other things, the conditions of the KfW program call for the dividend to be suspended during the three-year term of the new tranche.

Still no full-year forecast for 2020

Whereas industrial production in China has now largely returned to normal, the other regions continue to be affected by restrictions, some of which are still severe. For this reason, the global economy is expected to remain under massive pressure in the second half of the year, meaning that a reliable full-year forecast of business performance in 2020 is currently not possible. Grammer assumes that revenue and operating earnings will be significantly lower than in the previous year. It will issue a specific full-year forecast for 2020 as soon as this can be done with sufficient certainty.

About Grammer AG

Located in Ursensollen, Germany, Grammer AG specializes in the development and production of components and systems for automotive interiors as well as suspended driver and passenger seats for onroad and offroad vehicles. In the Automotive Division, Grammer supplies headrests, armrests, center console systems, high-quality interior components, operating systems and innovative thermo-plastic solutions to automakers and automotive system suppliers. The Commercial Vehicles Division comprises seats for the truck and offroad seat segments (tractors, construction machinery, and forklifts) as well as train and bus seats. With about 14,500 employees, Grammer operates in 20 countries around the world. Grammer shares are listed in the Prime Standard and traded on the Frankfurt and Munich stock exchanges via the electronic trading system Xetra.