
Corticeira Amorim

Resilient sales (-5.2%) despite adverse global context and unfavourable exchange rate effect

Highlights:

- EBITDA-sales ratio increases to 16.6%, reflecting the positive evolution of EBITDA compared with the decline in sales
- Exchange rate depreciation impacts activity negatively
- Net debt decreases €50.4 million to €110.7 million
- Net profit falls 4.8% to €64.3 million (excluding non-recurring costs and the positive extraordinary impact of US Floors in 2019)

Sales

Corticeira Amorim's sales totalled €740.1 million in 2020, down 5.2% on 2019. From the second quarter onwards, the health crisis caused by the COVID-19 pandemic and its serious consequences for global economies significantly affected the activities of all the Group's Business Units (BU). Sales were also penalised by an unfavourable evolution of exchange rates, especially in the second half - if this impact were excluded, sales would have declined by -4.2%.

All BUs registered a drop in sales compared with the previous year, except the Floor and Wall Coverings BU, which, despite a deceleration at the end of the year, recorded annual sales growth of 3.2%. Sales, however, evolved quite differently in quarterly terms: after a growth of 0.7% in the first quarter, sales fell -10.5% in the second quarter then stabilised at around -5.5% in the third and fourth quarters.

Sales by the Cork Stoppers BU totalled €527.3 million (-5.7% on 2019), accounting for 70% of Corticeira Amorim's consolidated sales. The decrease was mainly due to a reduction in wine consumption, particularly in the HoReCa channel, and the temporary closure of some customers. Despite the fact that all segments registered a decline in sales, the cork stoppers for sparkling wines segment (-9%) was penalised the most (particularly champagne stoppers). Neutrocork stoppers (sales growth of 12%) continued to stand out in the still wines segment, which registered a 4% reduction in sales, mainly reflecting a less favourable product mix. The year was also marked by sales declines in most geographical wine markets, the US and Argentina being exceptions. The evolution of exchange rates had a negative impact on sales, which were particularly penalised by depreciations of the US dollar and the Chilean peso. If this impact were excluded, the drop in sales would have been -4.4%.

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Sales by the Floor and Wall Coverings BU totalled €112.1 million (+3.2% year-on-year). In contrast to 2019, manufactured products were the main driver of sales growth, especially the Amorim WISE product line (sales of €12.7 million, up from €5.7 million in 2019). In terms of geographical markets, Germany and Portugal stood out for their strong growth, together with the US, where sales were driven by the ecologic features of the products of this BU.

The Composite Cork BU recorded sales of €95.2 million (-8.9% year-on-year), having been affected both by the temporary closure of some of its customers and the implementation of SAP in June, which limited the BU's normal operations in the following months. The depreciation of the US dollar also penalised the BU's sales, particularly in the second half - excluding this effect, the drop in sales would have been -7.8%. On the positive side, the BU's recently created joint ventures (Amorim Sports and Corkeen) performed well, contributing €3 million in sales in 2020.

Performance

Corticeira Amorim's consolidated EBITDA totalled €122.5 million in 2020, a decrease of 1.8% compared to the previous year, but a smaller reduction than the drop in sales (-5.2%). The EBITDA-sales ratio increased to 16.6% (FY2019: 16.0%), benefiting from consumption of raw materials purchased at more favourable prices, operational efficiency gains and higher sales prices, factors which offset the negative impact of lower activity levels and currency depreciation.

The combined EBITDA of the Raw Materials and Cork Stoppers BUs totalled €114.0 million, a reduction of 3.3% compared with 2019. Despite the unfavourable global context, the Cork Stoppers BU delivered a positive performance, managing to contain the decrease in its EBITDA to -3.8% compared with a -5.7% drop in sales. Reductions in the prices of cork purchased for consumption, adjustments in the value of some products and operational improvement, mitigated the negative impact of lower levels of activity. The EBITDA-sales ratio of the Raw Materials and Cork Stoppers BUs increased to 21.2% (2019: 20.5%).

The Floor and Wall Coverings BU recorded EBITDA of €1.8 million (2019: -€2.5 million), having benefited from an improved sales mix with manufactured product sales growing at a faster rate. Measures to rationalise and optimise the BU's administrative, industrial, logistics and commercial structures also made an important contribution to this performance, as did there being no repetition of the expenses incurred in 2019 in developing and launching the Amorim WISE product range. The BU's EBITDA-sales ratio rose to 1.6% (2019: -2.3%).

The Composite Cork BU recorded EBITDA of €8.3 million (-32.7% compared with the same period of 2019), penalised mainly by lower levels of activity and the depreciation of the US dollar. Positive highlights included reductions in raw material costs (cork and non-cork) as well as improvements in operational efficiency and cork yields. The BU's EBITDA-sales ratio dropped to 8.8% (2019: 11.9%).

The Insulation BU performed very positively, registering EBITDA of €0.9 million, a significant increase compared to the €0.2 million the BU recorded in 2019. Lower cork consumption prices, the only raw material the BU uses, resulted in a significant improvement in operational activity. The BU's EBITDA-sales ratio increased to 7.1% (2019: 1.6%).

Non-recurring costs increased as a result of the payment of an extraordinary bonus to Corticeira Amorim Group employees as well as restructuring expenses, consisting mainly of compensation paid by the Cork Stoppers, Floor and Wall Coverings and Composite Cork BUs.

The reduction in earnings of associate company mainly reflects the receipt in 2019 of €2.9 million from the sale of US Floors. This was the final amount pertaining to this operation and its impact affected only the results of the same period of the previous year.

After earnings attributable to non-controlling interests, Corticeira Amorim posted a net profit of €64.3 million in 2020, a reduction of 14.2% compared to the previous year. Excluding the non-recurring event associated with the sale of US Floors and the above-mentioned non-recurring costs, the reduction in net income would have been 4.8%.

At the end of 2020, net interest-bearing debt totalled €110.7 million (12M19: €161.1 million). Despite increased investment in fixed assets (€45 million), the payment of dividends (€25 million) and the acquisition of 10% of Bourrassé (€5 million) and 30% of Elfverson (€2 million), the Group was able to reduce net debt by €50.4 million. Worthy of special note was a private subscription issue of €40 million in five-year non-guaranteed Green Bonds. Corticeira Amorim's first green bond issue constituted an important milestone in the Group's sustainability strategy, reaffirming its continued commitment to the application of ESG principles and best practices.

The robustness of Corticeira Amorim's balance sheet, coupled with support from financial institutions, guarantee the company an adequate and balanced capital structure.

Dividend proposal

The Board of Directors agreed to propose to the General Shareholders' Meeting to be held on April 23 the distribution of a gross dividend of €0.185 per share.

COVID-19

In the context of the COVID-19 pandemic, Corticeira Amorim's essential priorities have remained unchanged since the very beginning: protecting the health and safety of its Employees and a determination to continue serving its Customers.

The Group adopted the safest practices based on a strict Contingency Plan implemented across every industrial unit and the company's extensive distribution network. The plan includes a set of broad-spectrum measures essential to ensuring the permanent well-being of more than 4,300 employees worldwide, the safe operation of the different industrial units and the continuity of business.

During these months, Corticeira Amorim has never failed to meet its important responsibilities in the wine sector's supply chain, doing everything possible to maintain production and continue serving its Customers. The response of our Employees has been exceptional, ensuring, even during the most difficult times, the Group's usual performance standards and support for its Customers.

After a second quarter severely affected by highly unfavourable market conditions, Corticeira Amorim's activity improved in the second half of 2020. In 2021, the degree of uncertainty remains high, making it difficult to assess the scale and extent of future direct and indirect impacts of the COVID-19 pandemic. When compared with the first quarter of 2020, which was practically unaffected by the pandemic, the first quarter of 2021 will hardly show no impact on Corticeira Amorim's activity. Over the remaining months of 2021, the evolution and scope of the ongoing vaccination process and the effectiveness of the vaccine itself, offset by the potential need to implement additional containment measures, will determine the evolving impact of the pandemic on the global economy and consumption patterns and, therefore, on Corticeira Amorim's activity.

Main indicators

		2019	2020	yoy	4Q19	4Q20	qoq
Sales		781,060	740,113	-5.2%	178,434	168,693	-5.5%
Gross Margin – Value		387,378	376,364	-2.8%	92,034	85,599	-7.0%
	1)	49.3%	51.8%	+2.5 p.p.	53.7%	53.4%	-0.32 p.p.
Operating Costs - current		297,832	290,399	-2.5%	72,960	67,386	-7.6%
EBITDA - current		124,724	122,512	-1.8%	27,918	27,626	-1.0%
EBITDA/Sales		15.97%	16.55%	+0.6 p.p.	15.6%	16.4%	+0.7 p.p.
EBIT - current		89,547	85,965	-4.0%	19,075	18,213	-4.5%
Non-current results	2) -	1,620	-5,816	n.s.	581	-4,164	n.s.
Net Income		74,947	64,326	-14.2%	20,538	15,815	-23.0%
Earnings per share		0.564	0.484	-14.2%	0.154	0.119	-23.0%
Net Bank Debt		161,091	110,717	-50,374	-	-	-
Net Bank Debt/EBITDA (x)	3)	1.29	0.90	-0.39 x	-	-	-
EBITDA/Net Interest (x)	4)	88.2	105.7	17.45 x	79.0	83.1	4.14 x

1) Related to Production

2) Figures refer to an extraordinary bonus to employees and restructuring costs

3) Current EBITDA of the last four quarters

4) Net interest includes interest from loans deducted of interest from deposits (excludes stamp tax and commissions)