

# Conference call

## FY19 results

Brussels, March 26, 2020



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A replay of the webcast will be available on our website.

# BUSINESS HIGHLIGHTS



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# Business highlights 2019



2019 marked the 100<sup>th</sup> anniversary of Tessenderlo Group. To commemorate this milestone, the group published a book and created a special website, highlighting the history of Tessenderlo Group. In September 2019, the group also organized a family day which attracted more than 2,000 participants.



In the first half of 2019, Tessenderlo Group also introduced Claro™. This is a range of revolutionary tissue-engineering products for 3D applications (part of the operating segment Bio-valorization).



Within the DYKA Group business unit, which provides high quality, value-added solutions in plastic pipe systems for the utilities, agricultural, building and civil engineering markets, DYKA opened new branches in Anderlecht (Belgium) and Třeboň (Czech Republic) during the first half of 2019.



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# Business highlights 2019



On July 10, 2019, an Extraordinary General Meeting approved a number of amendments to the articles of association and the introduction of loyalty voting rights.



In June 2019, Tessenderlo Group acquired NAES Belgium bvba from the American group NAES Corporation, which is a subsidiary of Itochu Corporation. Since 2012, NAES Belgium has been responsible for the operation of the T-Power 425 MW CCGT plant, which is a 100% subsidiary of Tessenderlo Group.



At the end of December 2019, DYKA Group agreed to acquire the production plant of REHAU Tube in La Chapelle-Saint-Ursin (France) from the German REHAU Group. The plant specializes in the manufacturing of sewer, soil & waste, storm water management, and telecom pipes and fittings.



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# After the balance sheet date

- PB Leiner inaugurated a new collagen peptides line in February 2020 in Santa Fe (Argentina). This additional production facility will allow for a considerable extra production volume of SOLUGEL™ collagen peptides.



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# After the balance sheet date

- Within the Industrial Solutions segment, S8 Engineering has ceased to exist as a separate Business Unit. The engineering and construction activities were integrated into Tessenderlo Kerley, Inc.



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# After the balance sheet date

- Flooding from Storm Dennis caused disruption at PB Leiner's plant in Treforest (United Kingdom) in February 2020.



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# After the balance sheet date

- Tessenderlo Group is currently studying options for the construction of a new gas power plant in the Belgian municipality of Tessenderlo. As the outcome of the study is currently unpredictable, no further details can be disclosed at this stage.



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# Update COVID-19:

- Tessenderlo Group is taking all the necessary steps to ensure that it keeps its people safe and keep its plants and businesses running. This is because the group provides support for vital services and the flow of crucial goods:
  - basic chemicals for the production of drinking water based on side streams in the form of hydrochloric acid from the production of sulfate of potash (SOP);
  - gelatin for medical and food applications
  - crop nutrition and crop protection products for agriculture (for which the season is just starting in the northern hemisphere);
  - plastic pipe systems for maintaining drinking water supply systems and polluted water evacuation;
  - protection of the meat chain (in France).



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# Update COVID-19:

- All of the plants and activities are running in line with expectations at the moment, except for the current disruption of production at DYKA Group's French plant in Sainte-Austreberthe (segment Industrial Solutions). In February 2020, the COVID-19 disease also disrupted production at the Chinese plant in Nehe (PB Leiner – segment Bio-valorization), which restarted production in early March.

Based on current information, the impact of these events on the financial results is expected to be limited.

- Activities could be further impacted in the coming weeks or months if too many employees are impacted by COVID-19 and/or if access to raw materials and auxiliary materials or means of transportation becomes more complicated, or if our customers are no longer able to process our products.



# 2H19 and 2019 results



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# Operational key figures

2H19	2H18	% Change excluding fx effect and impact IFRS 16	% Change as reported	Million EUR	2019	2018	% Change excluding fx effect and impact IFRS 16	% Change as reported
817.9	776.0	4.2%	5.4%	Revenue	1,742.9	1,620.9	5.6%	7.5%
-36.3	-18.8			- T-Power revenue	-71.1	-18.8		
<b>781.6</b>	<b>757.2</b>	<b>2.0%</b>	<b>3.2%</b>	<b>Revenue excluding T-Power</b>	<b>1,671.9</b>	<b>1,602.2</b>	<b>2.4%</b>	<b>4.3%</b>
122.8	80.3	34.2%	52.9%	Adjusted EBITDA	267.7	177.8	31.8%	50.6%
-26.9	-13.5			- T-Power Adjusted EBITDA	-51.2	-13.5		
<b>95.9</b>	<b>66.8</b>	<b>21.1%</b>	<b>43.7%</b>	<b>Adjusted EBITDA excluding T-Power</b>	<b>216.5</b>	<b>164.3</b>	<b>11.5%</b>	<b>31.8%</b>
				<b>Profit (+) / loss (-) for the period</b>	<b>97.6</b>	<b>92.1</b>		<b>6.0%</b>
				<b>Capital expenditure</b>	<b>104.3</b>	<b>83.4</b>		<b>25.1%</b>
				<b>Operational free cash flow</b>	<b>145.7</b>	<b>56.6</b>		<b>157.2%</b>

## Remarks:

1) On October 2, 2018, Tessenderlo Group closed the acquisition of the remaining 80% shares of T-Power nv, which is a gas-fired 425 MW power plant in Tessenderlo (Belgium). In order to improve the comparability with 2018 figures, T-Power results are presented separately.

2) Adjusted EBITDA equals adjusted EBIT plus depreciation and amortization. Adjusted EBIT is considered by the group to be a relevant performance measure in order to compare results over the period 2018-2019 as it excludes adjusting items from the EBIT (Earnings Before Interests and Taxes). EBIT adjusting items principally relate to restructuring, impairment losses, provisions, gains or losses on significant disposals of assets or subsidiaries and the effect of the electricity purchase agreement.

3) The implementation of IFRS 16 *Leases*, as of January 1, 2019, impacted the Adjusted EBIT/EBITDA. The IFRS 16 impact on the Adjusted EBITDA is as follows: Agro (+7.1 million EUR), Bio-valorization (+9.1 million EUR), Industrial Solutions (+9.3 million EUR) and T-Power (+0.1 million EUR). The IFRS 16 impact on the Adjusted EBIT is as follows: Agro (+0.7 million EUR), Bio-valorization (+0.3 million EUR), Industrial Solutions (+0.7 million EUR) and T-Power (+0.0 million EUR).

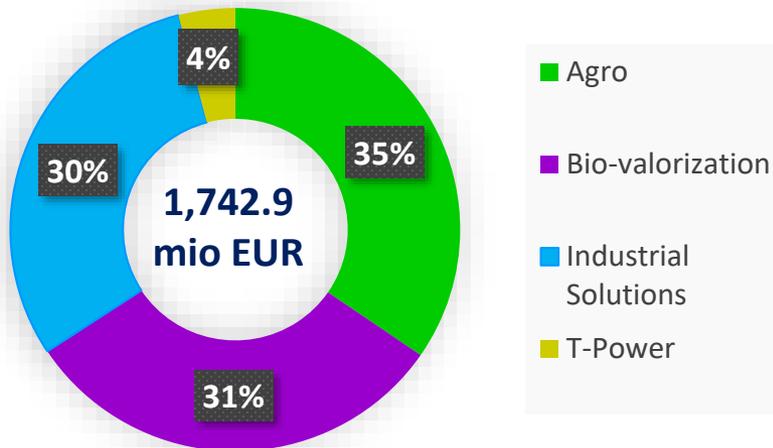
4) Operational free cash flow equals to Adjusted EBITDA minus capital expenditure minus change in trade working capital.

<b>2018 Adj. EBITDA:</b>	<b>177.8 M EUR</b>
T-Power contribution:	+37.7 M EUR
IFRS16 impact:	+25.4 M EUR
FX impact:	+8.0 M EUR
<b>Growth:</b>	<b>+18.8 M EUR</b>
<b>2019 Adj. EBITDA:</b>	<b>267.7 M EUR</b>

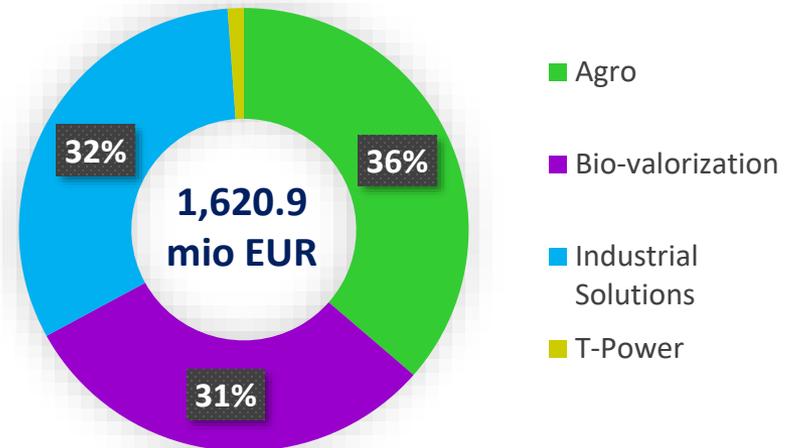


# Group revenue per segment

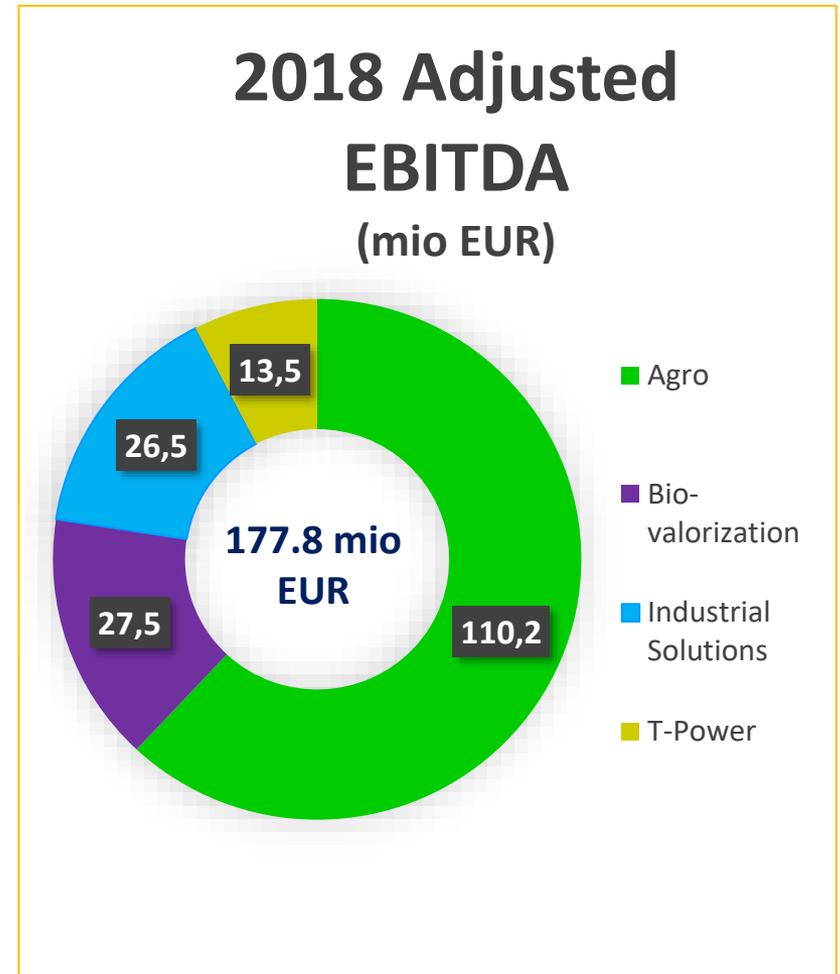
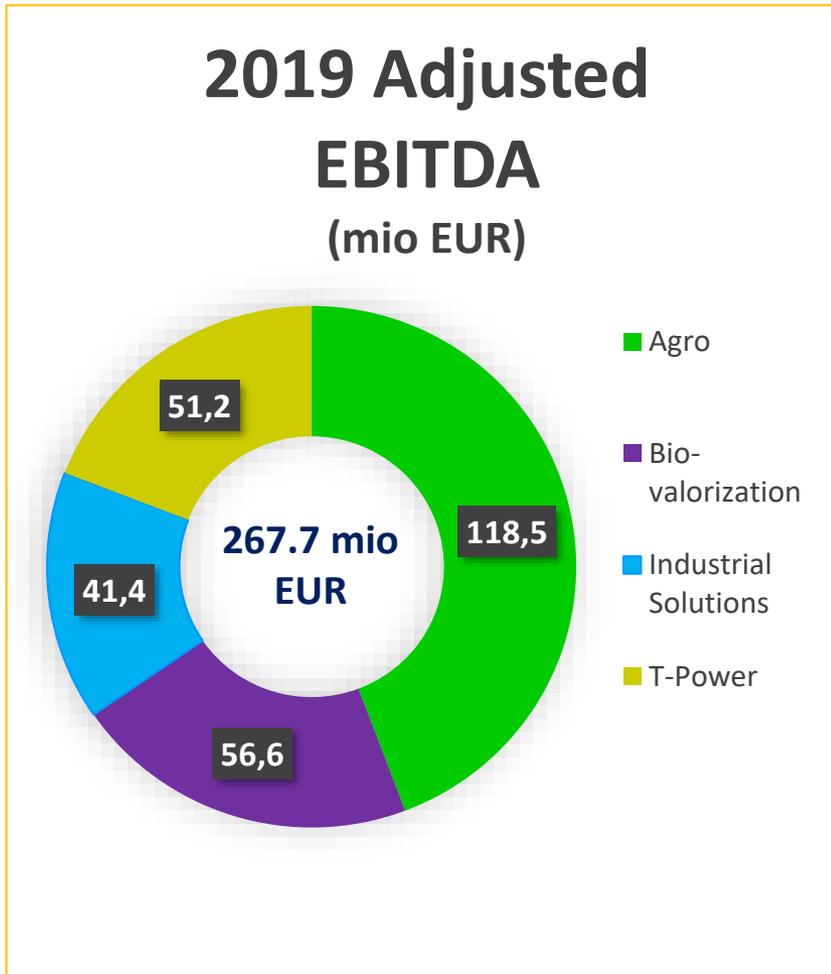
**2019 revenue**  
(% of total)



**2018 revenue**  
(% of total)



# Group Adjusted EBITDA per segment



# 2H19 and 2019 update: Agro

AGRO				
Million EUR	2019	2018	% Change excluding fx effect and impact IFRS 16	% Change as reported
Revenue	602.8	589.8	-1.0%	2.2%
Adjusted EBITDA	118.5	110.2	-3.9%	7.5%
Adjusted EBITDA margin	19.7%	18.7%		
Adjusted EBIT	88.4	86.3	-3.5%	2.5%
Adjusted EBIT margin	14.7%	14.6%		

## Crop Vitality:

- Slight increase of 2019 revenue as the extension of the Agro season in the United States positively impacted the 2H19 volumes.
- Adjusted EBITDA decreased in 2019, although continued margin pressure in 2H19 was offset by the higher volumes.

## NovaSource:

- Revenue remained stable in 2H19 and could not compensate the lower 1H19 revenue, which was due to weather conditions, resulting in a lower 2019 Adjusted EBITDA.

## Tessengerlo Kerley International:

- 2019 revenue decreased as, in contrast with 1H19, an increase of the SOP sales price was not able to offset the SOP volume decline in 2H19.
- Adjusted EBITDA of Tessengerlo Kerley International increased as the impact of lower SOP volumes could be offset by increased margins, while 2H18 was negatively impacted by significant production issues in Ham (Belgium) and Rouen (France).



# 2H19 and 2019 update: Bio-valorization

BIO-VALORIZATION				
Million EUR	2019	2018	% Change excluding fx effect and impact IFRS 16	% Change as reported
Revenue	543.1	496.9	7.5%	9.3%
Adjusted EBITDA	56.6	27.5	66.5%	105.7%
Adjusted EBITDA margin	10.4%	5.5%		
Adjusted EBIT	22.7	2.4	783.7%	864.7%
Adjusted EBIT margin	4.2%	0.5%		

## PB Leiner:

- Revenue increase in 2019 thanks to higher volumes.
- Increase of Adjusted EBITDA thanks to an increase of volumes, combined with a better product mix and lower raw material prices.

## Akiolis:

- Decrease of 2019 volumes, although this decline was more outspoken in 1H19 compared to 2H19, when volumes were positively impacted by a heat wave in France.
- Stable Adjusted EBITDA.



# 2H19 and 2019 update: Industrial Solutions

INDUSTRIAL SOLUTIONS				
Million EUR	2019	2018	% Change excluding fx effect and impact IFRS 16	% Change as reported
Revenue	526.0	515.5	1.2%	2.0%
Adjusted EBITDA	41.4	26.5	18.1%	56.0%
Adjusted EBITDA margin	7.9%	5.1%		
Adjusted EBIT	11.9	5.6	93.4%	111.8%
Adjusted EBIT margin	2.3%	1.1%		

## DYKA Group:

- Revenue benefited from favorable market circumstances.
- Increase of Adjusted EBITDA, mainly thanks to higher volumes and increased production efficiency as a result of investments previously made.

## Performance Chemicals:

- Lower revenue due to technical issues at the plant in Loos (France).
- Stable Adjusted EBITDA compared to 2018, as the 1H19 result improvement was offset by technical issues in Loos (France) in 2H19.

## Mining and Industrial:

- Stable results

## S8 Engineering:

- Improvement of Adjusted EBITDA compared to 2018, although remaining negative, following additional internal projects and a further reduction of costs.



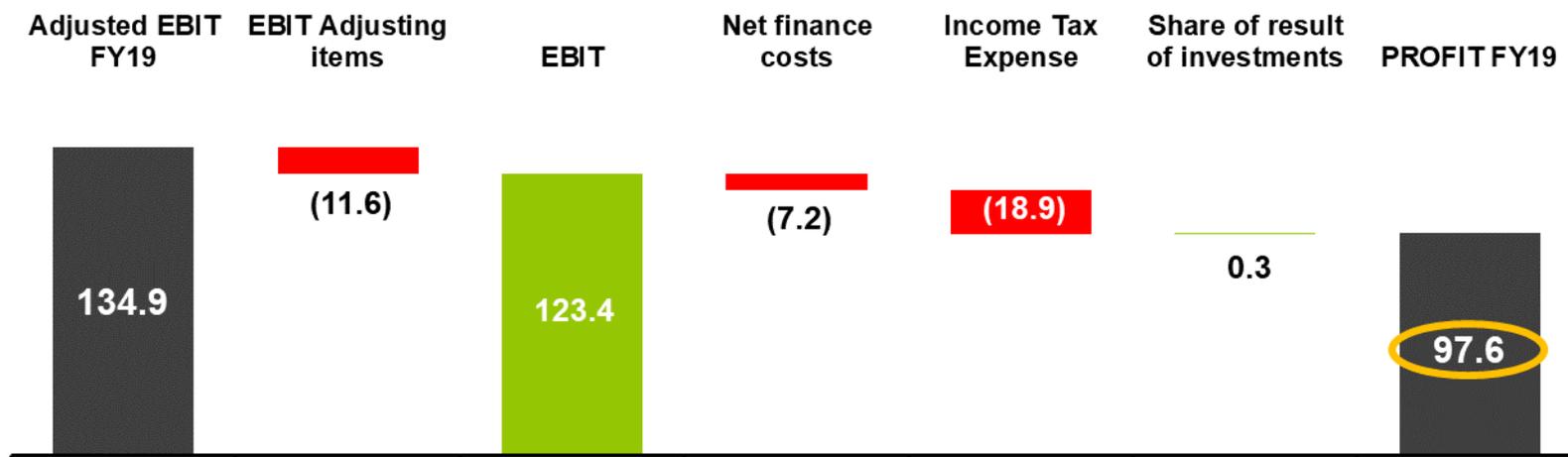
# 2H19 and 2019 update: T-Power

T-POWER				
Million EUR	2019	2018	% Change excluding fx effect and impact IFRS 16	% Change as reported
Revenue	71.1	18.8	278.9%	278.9%
Adjusted EBITDA	51.2	13.5	278.0%	278.5%
Adjusted EBITDA margin	72.1%	72.2%		
Adjusted EBIT	12.0	4.3	178.7%	178.7%
Adjusted EBIT margin	16.8%	22.9%		

- Results were in line with expectations, as T-Power nv fulfilled all tolling agreement requirements.
- During 2019 the group has reviewed the T-Power nv financing structure, as well as the ongoing long term maintenance program.
- Furthermore the group acquired NAES Belgium bvba in June 2019. Since 2012, NAES Belgium has been responsible for the operation of the T-Power 425 MW CCGT (Combined Cycle Gas Turbine) plant. Meanwhile, the name of the company was changed to T-Power Energy Services bv.



# 2019 Adjusted EBIT to profit details (Million EUR)



- The recycling of currency translation reserves following the completion of the liquidation process of PB Gelatins Wenzhou Co., Ltd. (China) for +3.0 million EUR, as well as the gain on the sale of some non-strategic assets (mainly land).

- Impairment losses relate to assets, which will not be used anymore following changes in market conditions (within the operating segment Industrial solutions) and to the impairment of the Group BT Bautechnik goodwill.

- Provisions and claims mainly include the -5.6 million EUR impact of the decrease of the discount rate applied to the environmental provisions.

- Other income and expenses mainly relate to the impact of an electricity purchase agreement (-6.3 million EUR in 2019), for which the own-use exemption under IAS 39 is not applicable anymore, and several other individually insignificant items.

The net finance costs (-7.2 million EUR) include unrealized foreign exchange gains on intercompany loans and cash and cash equivalents, which are not hedged. The regular finance cost, excluding net foreign exchange gains/(losses), amounts to -14.7 million EUR.

Tax expenses amount to -18.9 million EUR in 2019, versus -24.3 million EUR in 2018. The income tax expenses mainly relate to the operations in the United States.

The 2019 profit amounts to 97.6 million EUR compared to 92.1 million EUR in 2018. The profit (+) / loss (-) for the period is impacted by exchange gains and losses, mainly on non-hedged intercompany loans and cash and cash equivalents in USD. Excluding these exchange gains and losses, the profit (+) / loss (-) for 2019 would amount to approximately 90 million EUR, while the 2018 result would have amounted to approximately 79 million EUR.



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# Outlook

- The following statements are forward looking and actual results may differ materially.
- The group anticipates that the 2020 Adjusted EBITDA will be higher compared to 2019. This guidance for 2020 does not include any potential impact from COVID-19 (Coronavirus). This disease is a new factor of uncertainty, which is expected to have a significant negative economic impact worldwide, and its effect on the 2020 Adjusted EBITDA is currently difficult to estimate. At this stage and given the evolving landscape, it is too early to determine the full impact of COVID-19 on the 2020 financial results.
- The group would like to emphasize further that it currently operates in a volatile political, economic, financial and health environment.



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# Dividend

- The Board of Directors will propose to the shareholders, at the annual shareholders' meeting of May 12, 2020, not to pay out a dividend for the 2019 financial year.
- The group currently believes that more shareholder value can be created through further investing available funds in the growth of the company, rather than via the distribution of dividends.



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# Financial calendar

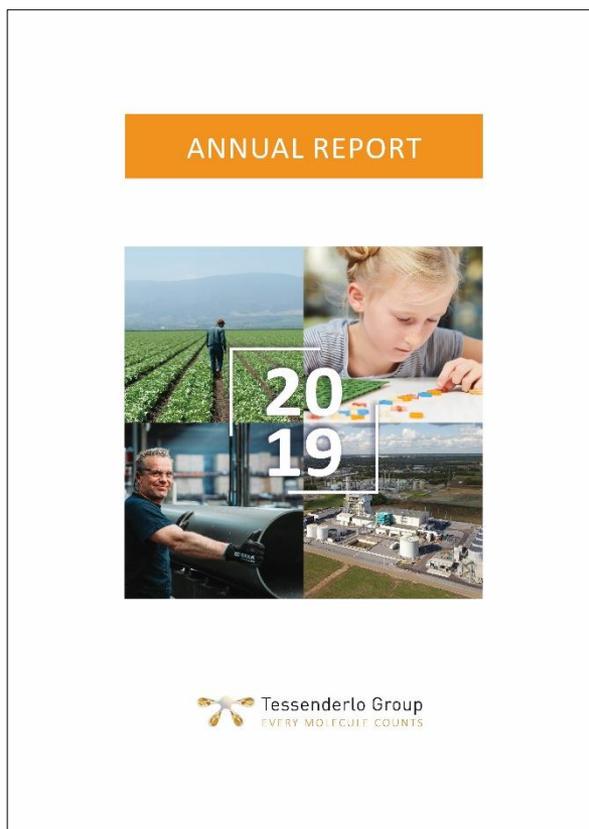
- Annual General Meeting of Shareholders May 12, 2020
- Half year 2020 results August 27, 2020



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# Annual report

- The annual report 2019 will be available as from April 2, 2020, on [www.tessenderlo.com](http://www.tessenderlo.com).



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# Sustainability report

- The sustainability report will be available as from April 2, 2020, on [www.tessengerlo.com](http://www.tessengerlo.com).





# Thank you

