



# PEGAS NONWOVENS SA

## 1Q 2016 Financial Results

Analyst Conference Call

26 May 2016

every single detail

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# Agenda

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- 1Q 2016 Key Highlights
  - 1Q 2016 Financial Performance
  - 2016 Guidance Confirmation
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# Presentation Team



**František Řezáč**

Chief Executive Officer

**Marian Rašík**

Chief Financial Officer



# 1Q 2016 Key Highlights

## Financial Performance

- Total revenues in 1Q 2016 EUR 55.1 million, down by 9.0% yoy mainly as a result of development in polymer prices
- EBITDA EUR 11.6 million, down by 8.1% yoy, production near record levels, very good sales and insignificant effect of the pass through mechanism; slightly negative impact of revaluation of the share option bonus scheme
- 1Q 2016 EBITDA in line with the 2016 EBITDA guidance (EUR 43.0-49.0 million)
- EBIT EUR 7.5 million, down by 12.6% yoy due to the same reasons impacting EBITDA
- Net profit amounted to EUR 0.5 million, down by 96.7% primarily as a consequence of unrealized foreign exchange losses related to depreciation of USD against EUR

## Market & Business

- ICIS in 1Q 2016 stabilized as opposed to the sharp fall in 4Q 2015. Average value for 1Q 2016 decreased by single digits in a quarter on quarter comparison
- The level of inventories of finished goods increased moderately during 1Q 2016

## Production & Technology

- 1Q 2016 production of 26,036 tons, down by 0.6% yoy on the back of continued successful implementation of optimization measures
- No major unexpected shutdowns or production disruptions in 1Q 2016
- No regular maintenance shutdowns performed in 1Q 2016

# Key Financial Highlights

EUR (000')	First quarter		
	2015	2016	% change
Revenues	60,561	55,081	(9.0%)
Operating costs	(47,936)	(43,478)	(9.3%)
<b>EBITDA</b>	<b>12,625</b>	<b>11,603</b>	<b>(8.1%)</b>
<b>EBITDA margin (%)</b>	<b>20.8%</b>	<b>21.1%</b>	<b>0.2 pp</b>
Profit from operations (EBIT)	8,627	7,543	(12.6%)
<i>EBIT margin (%)</i>	<i>14.2%</i>	<i>13.7%</i>	<i>(0.6 pp)</i>
Net profit	14,358	470	(96.7%)
<i>Net profit margin (%)</i>	<i>23.7%</i>	<i>0.9%</i>	<i>(22.9 pp)</i>
Production (tons net of scrap)	26,202	26,036	(0.6%)
Number of Employees (average)	564	569	0.9%
Average EUR/CZK exchange rate	27.624	27.040	(2.1%)
Average EUR/USD exchange rate	1.126	1.102	(2.1%)
	31 March 2015	31 March 2016	% change
Total assets	365,162	379,858	4.0%
Net debt	149,237	147,555	(1.1%)

Note: Consolidated unaudited results

# Statement of Comprehensive Income

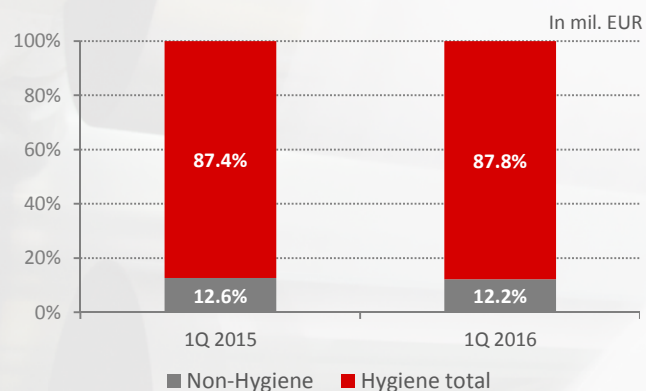
EUR (000')	First Quarter		
	2015	2016	% change
Revenues	60,561	55,081	(9.0%)
Raw materials and consumables	(44,131)	(40,012)	(9.3%)
Staff costs	(3,426)	(2,973)	(13.2%)
Of which FV revaluation of share options	(708)	(145)	(79.5%)
Other net operating income/(expense)	(379)	(492)	30.1%
<b>EBITDA</b>	<b>12,625</b>	<b>11,603</b>	<b>(8.1%)</b>
<b>EBITDA margin (%)</b>	<b>20.8%</b>	<b>21.1%</b>	<b>0.2 pp</b>
Depreciation and amortization	(3,998)	(4,059)	1.5%
<b>Profit from operations (EBIT)</b>	<b>8,627</b>	<b>7,543</b>	<b>(12.6%)</b>
<b>EBIT margin (%)</b>	<b>14.2%</b>	<b>13.7%</b>	<b>(0.6 pp)</b>
FX changes and other fin. income/(expense) (net)	8,543	(3,706)	(143.4%)
Interest income/(expense) (net)	(1,774)	(2,109)	18.9%
Income tax income/(expense) (net)	(1,039)	(1,259)	21.2%
<b>Net profit</b>	<b>14,358</b>	<b>470</b>	<b>(96.7%)</b>
<b>Net profit margin (%)</b>	<b>23.7%</b>	<b>0.9%</b>	<b>(22.9 pp)</b>
Other comprehensive income/(expense)	3,182	(5,081)	(259.7%)
<b>Total comprehensive income</b>	<b>17,540</b>	<b>(4,611)</b>	<b>(126.3%)</b>

Note: Consolidated unaudited results

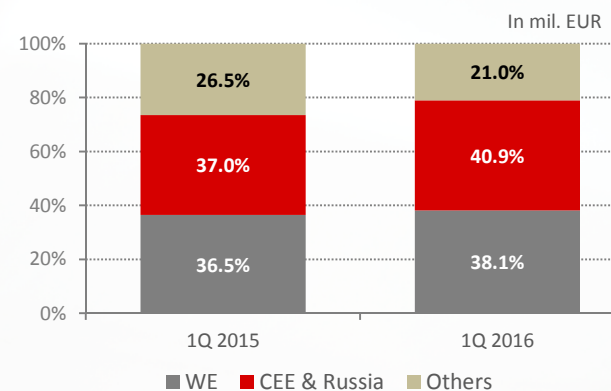


# Revenue Breakdown

## By Product



## By Geography

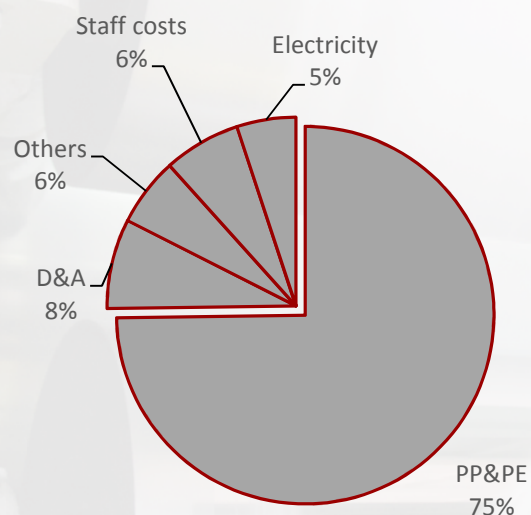


- The continued high proportion of hygiene sales on total revenues confirms a key focus on the hygiene market in Europe
- Sales by geography reflect customer mix and their procurement needs



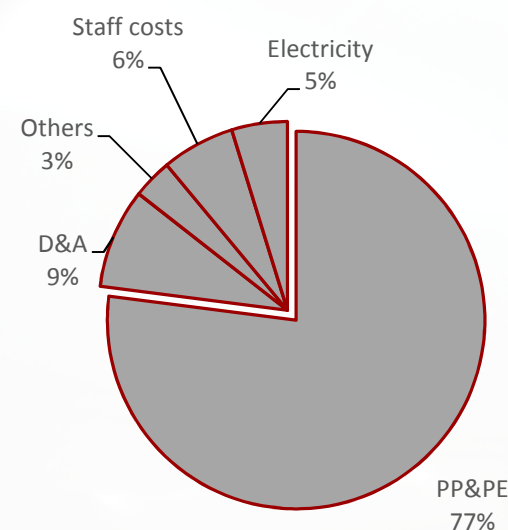
# Cost Composition

1Q 2015



8.5%

1Q 2016



- Staff costs down 13% yoy mainly as a result of revaluation of share option plan
- Electricity cost down 14% yoy mainly due to the lower prices for power electricity

# Statement of Financial Position

EUR (000')	31 March 2015 (unaudited)	31 December 2015 (audited)	31 March 2016 (unaudited)	yoy % change
<b>Non-current assets</b>	<b>270,490</b>	<b>269,476</b>	<b>264,558</b>	<b>(2.2%)</b>
Property, plant and equipment	185,750	181,250	176,437	(5.0%)
Intangible assets (including goodwill)	84,740	88,226	88,121	4.0%
<b>Current assets</b>	<b>94,672</b>	<b>269,476</b>	<b>115,301</b>	<b>21.8%</b>
Inventories	31,538	39,538	29,245	(7.3%)
Trade and other receivables	54,236	54,692	48,902	(9.8%)
Tax receivables	0	0	0	n/a
Bank balances and cash	8,899	28,082	37,154	317.5%
<b>TOTAL ASSETS</b>	<b>365,162</b>	<b>391,788</b>	<b>379,858</b>	<b>4.0%</b>
<b>Total share capital and reserves</b>	<b>168,239</b>	<b>156,712</b>	<b>151,227</b>	<b>(10.1%)</b>
<b>Non-current liabilities</b>	<b>148,821</b>	<b>202,246</b>	<b>202,369</b>	<b>36.0%</b>
Bank loans due after 1 year	42,785	0	0	(100.0%)
Deferred tax	16,285	17,440	17,660	8.4%
Other long-term liabilities	89,751	184,806	184,708	105.8%
<b>Current liabilities</b>	<b>48,102</b>	<b>32,830</b>	<b>26,263</b>	<b>(45.4%)</b>
Short-term financial debt	25,600	7,111	0	(100.0%)
Trade and other payables	21,670	23,895	24,030	10.9%
Tax liabilities	832	1,824	2,232	168.3%
Provisions	0	0	0	n/a
<b>TOTAL LIABILITIES</b>	<b>365,162</b>	<b>391,788</b>	<b>379,858</b>	<b>4.0%</b>

Note: Consolidated unaudited results

# Cash Flow Statement

EUR (000')	Three-month period to		yoy % change
	31 March 2015 (unaudited)	31 March 2016 (unaudited)	
<b>Profit before tax</b>	<b>15,397</b>	<b>1,729</b>	<b>(88.8%)</b>
Depreciation and amortization	3,998	4,059	1.5%
FX	(17,507)	3,933	(122.5%)
Interest expense	1,775	2,135	20.3%
Other changes in equity	1,227	(2,038)	(266.0%)
Other financial expense/(income)	130	(57)	(143.8%)
Change in inventories	11,794	9,457	(19.8%)
Change in receivables	(3,377)	3,693	(209.4%)
Change in payables	(17,219)	(2,554)	(85.2%)
Income tax paid	(317)	(520)	64.1%
<b>Net cash flow from operating activities</b>	<b>-4,099</b>	<b>19,836</b>	<b>(584.0%)</b>
Purchases of property, plant and equipment	(846)	(2,181)	157.8%
<b>Net cash flow used in investment activities</b>	<b>(846)</b>	<b>(2,181)</b>	<b>157.8%</b>
Change in bank loans	6,640	(7,204)	(208.5%)
Other changes in share capital	0	(875)	n/a
Interest paid	(1,630)	(560)	(65.6%)
Other financial income/(expense)	(130)	57	(143.8%)
<b>Net cash flow from financing activities</b>	<b>4,880</b>	<b>(8,582)</b>	<b>(275.8%)</b>
<b>Bank balances and cash at the beginning of the year</b>	<b>8,962</b>	<b>28,082</b>	<b>213.3%</b>
Change in cash and cash equivalents	(64)	9,072	(14289.0%)
Effect of FX fluctuation on cash held	0	0	n/a
<b>Bank balances and cash at the end of the year</b>	<b>8,898</b>	<b>37,153</b>	<b>317.5%</b>

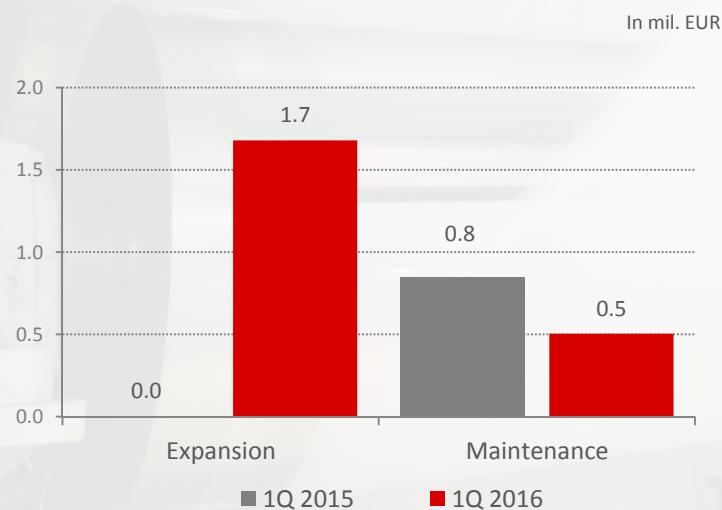
Note: Consolidated unaudited results

# CAPEX Development

CAPEX in 2016 includes investments into expansion as well as maintenance CAPEX

- Investments into expansion planned in 2016 include the construction of a warehouse in the Czech Republic and an investment into a new BiCo Compact production line
- 2016 CAPEX guidance of up to EUR 25 million confirmed

## CAPEX in 1Q





# 2016 Guidance Confirmation

## Overview

- 1Q 2016 is in line with management expectations and announced outlook for the entire year 2016
- Hard to predict future development in polymer prices represents a downside risk for the operating performance of the Company

## EBITDA Guidance

- Based on the developments to date, the management confirms 2016 EBITDA guidance
  - 2016 EBITDA is estimated in range of EUR 43.0 to 49.0 million

## CAPEX Guidance

- 2016 CAPEX guidance of up to EUR 25 million confirmed

# Intention to Pay a Dividend

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- The Board of Directors decided to propose to the upcoming AGM a dividend pay-out of EUR 11,536,750, i.e. EUR 1.25 per share
- The source of the dividend will be the 2015 profit and retained earnings from previous years
- The dividend pay-out will be voted on at the upcoming AGM which is to be held on 15 June 2016
- The Board of Directors further proposed to set the record date to 14 October 2016 and the payment date to 26 October 2016, subject to approval from AGM.
- Subject to maintaining satisfactory financial performance and the absence of other attractive opportunities, PEGAS will endeavour to continue with a progressive dividend policy in the future
- No specific payout ratio in terms of Net profit or an anticipated dividend yield for future years has been set

# Development of Polymer Prices

Polymer Prices Illustrative Index

