



PEGAS NONWOVENS SA

Third Quarter 2016 Financial Results

Analyst Conference Call

24 Nov 2016

every single detail

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Agenda

- Q3 and 9M 2016 Key Highlights
 - Q3 and 9M 2016 Financial Performance
 - 2016 Guidance Confirmation
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Presentation Team



František Řezáč

Chief Executive Officer

Marian Rašík

Chief Financial Officer



Q3 and 9M 2016 Key Highlights

Financial Performance

- Total revenues in Q3 2016 EUR 51.1 million, down by 11.8% yoy mainly as a result of lower polymer prices
- Q3 2016 EBITDA of EUR 11.3 million, up by 38.0% yoy, impacted positively by external factors accompanied by strong production and sales in line with the production
- 9M 2016 EBITDA in line with the 2016 EBITDA guidance (EUR 43.0-49.0 million)
- Q3 2016 EBIT of EUR 7.3 million, up by 76.6%
- Q3 2016 Net profit amounted to EUR 5.5 million

Market & Business

- ICIS in Q3 2016 basically unchanged from 2Q 2016 levels while recording a double digit drop in comparison with 3Q 2015
- The level of inventories of finished goods remains at near optimal levels and remained virtually unchanged during Q3 2016

Production & Technology

- Q3 2016 production of 25,035 tons, up by 5.5% yoy
- No major unexpected shutdowns or production disruptions in Q3 2016
- No regular maintenance of the production lines is scheduled for the rest of 2016

Key Financial Highlights

EUR (000')	Third quarter			Full Year		
	2015	2016	% change	2015	2016	% change
Revenues	57,967	51,107	(11.8%)	169,641	157,771	(7.0%)
Operating costs	(49,795)	(39,830)	(20.0%)	(139,907)	(123,681)	(11.6%)
EBITDA	8,173	11,277	38.0%	29,734	34,090	14.6%
EBITDA margin (%)	14.1%	22.1%	8.0 pp	17.5%	21.6%	4.1 pp
Profit from operations (EBIT)	4,153	7,333	76.6%	17,779	22,039	24.0%
<i>EBIT margin (%)</i>	<i>7.2%</i>	<i>14.3%</i>	<i>7.2 pp</i>	<i>10.5%</i>	<i>14.0%</i>	<i>3.5 pp</i>
Net profit	507	5,479	980.4%	16,834	13,027	(22.6%)
<i>Net profit margin (%)</i>	<i>0.9%</i>	<i>10.7%</i>	<i>9.8 pp</i>	<i>9.9%</i>	<i>8.3%</i>	<i>(1.7 pp)</i>
Production (tons net of scrap)	23,723	25,035	5.5%	75,559	76,730	1.5%
Number of Employees (average)	569	573	0.7%	565	568	0.5%
Average EUR/CZK exchange rate	27.075	27.022	(0.2%)	27.355	27.036	(1.2%)
Average EUR/USD exchange rate	1.112	1.121	0.9%	1.114	1.116	0.2%
				30 September 2015	30 September 2016	% change
Total assets				386,659	386,962	0.1%
Net debt				153,973	148,684	(3.4%)

Note: Consolidated unaudited results

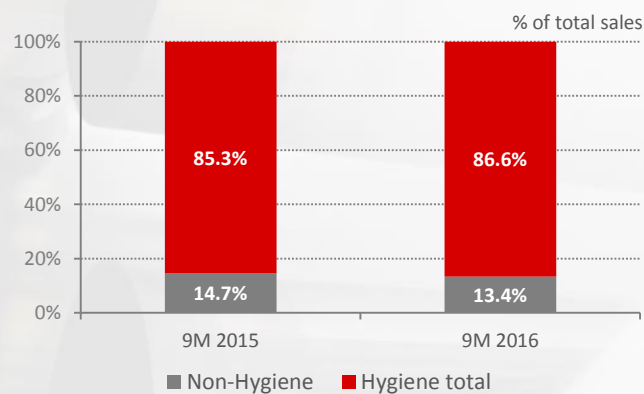
Statement of Comprehensive Income

EUR (000')	Third quarter			Full Year		
	2015	2016	% change	2015	2016	% change
Revenues	57,967	51,107	(11.8%)	169,641	157,771	(7.0%)
Raw materials and consumables	(45,529)	(37,199)	(18.3%)	(127,176)	(114,046)	(10.3%)
Staff costs	(3,556)	(2,452)	(31.0%)	(11,127)	(8,606)	(22.7%)
Of which FV revaluation of share options	(951)	186	(119.6%)	(3,491)	(327)	(90.6%)
Other net operating income/(expense)	(709)	(179)	(74.8%)	(1,604)	(1,030)	(35.8%)
EBITDA	8,173	11,277	38.0%	29,734	34,090	14.6%
EBITDA margin (%)	14.1%	22.1%	8.0 pp	17.5%	21.6%	4.1 pp
Depreciation and amortization	(4,020)	(3,944)	(1.9%)	(11,955)	(12,051)	0.8%
Profit from operations (EBIT)	4,153	7,333	76.6%	17,779	22,039	24.0%
EBIT margin (%)	7.2%	14.3%	7.2 pp	10.5%	14.0%	3.5 pp
FX changes and other fin. income/(expense) (net)	(1,501)	191	(112.7%)	6,695	(1,766)	(126.4%)
Interest income/(expense) (net)	(2,213)	(1,557)	(29.7%)	(5,746)	(5,704)	(0.7%)
Income tax income/(expense) (net)	69	(488)	(807.9%)	(1,894)	(1,542)	(18.6%)
Net profit	507	5,479	980.4%	16,834	13,027	(22.6%)
Net profit margin (%)	0.9%	10.7%	9.8 pp	9.9%	8.3%	(1.7 pp)
Other comprehensive income/(expense)	2,538	(35)	(101.4%)	5,602	(6,180)	(210.3%)
Total comprehensive income	3,045	5,444	78.8%	22,436	6,847	(69.5%)

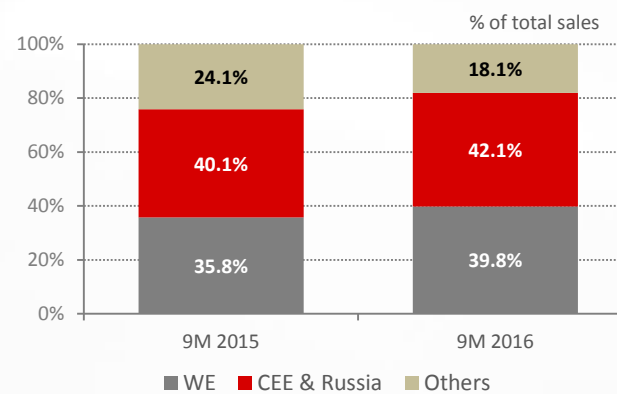
Note: Consolidated unaudited results

Revenue Breakdown

By Product



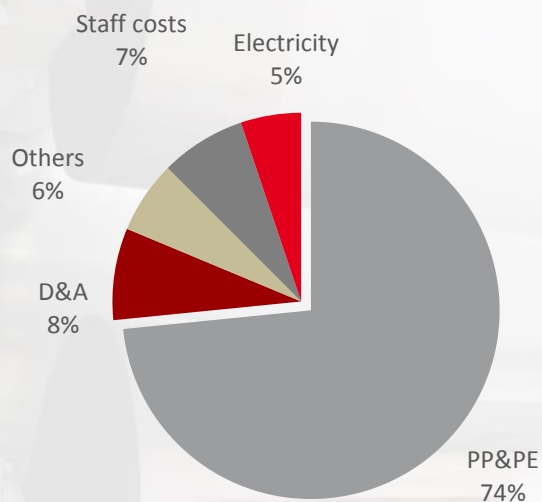
By Geography



- 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

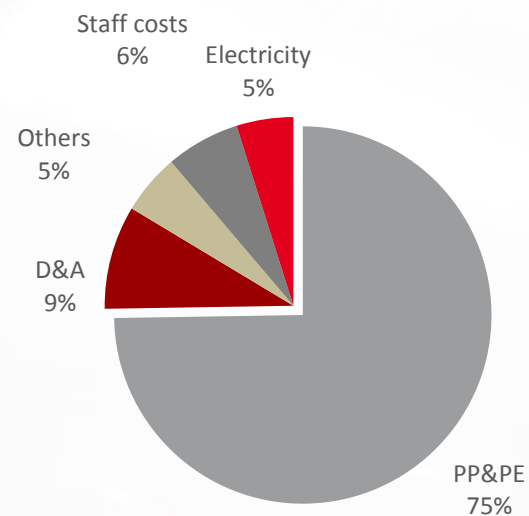
9M 2015



(10.6%)



9M 2016



- Staff costs down 23% yoy mainly as a result of revaluation of share option plan
- Electricity cost down 16% yoy mainly due to the lower prices for power electricity

Statement of Financial Position

EUR ('000')	30 September 2015 (unaudited)	30 September 2016 (unaudited)	yoy % change
Non-current assets	265,411	274,128	3.3%
Property, plant and equipment	179,658	185,917	3.5%
Intangible assets (including goodwill)	85,753	88,211	2.9%
Current assets	121,247	112,833	(6.9%)
Inventories	34,311	28,371	(17.3%)
Trade and other receivables	57,489	48,166	(16.2%)
Tax receivables	0	0	n/a
Bank balances and cash	29,447	36,297	23.3%
TOTAL ASSETS	386,659	386,962	0.1%
Total share capital and reserves	155,809	151,148	(3.0%)
Non-current liabilities	200,692	201,574	0.4%
Bank loans due after 1 year	0	0	n/a
Deferred tax	17,272	16,593	(3.9%)
Other long-term liabilities	183,420	184,981	0.9%
Current liabilities	30,157	34,240	13.5%
Short-term financial debt	0	0	n/a
Trade and other payables	29,579	33,861	14.5%
Tax liabilities	578	379	(34.6%)
Provisions	0	0	n/a
TOTAL LIABILITIES	386,659	386,962	0.1%

Note: Consolidated unaudited results

Cash Flow Statement

EUR (000')	Nine-month period to		yoy % change
	30 September 2015 (unaudited)	30 September 2016 (unaudited)	
Profit before tax	18,727	14,569	(22.2%)
Depreciation and amortization	11,955	12,051	0.8%
FX	(6,561)	3,783	(157.7%)
Interest expense	5,766	5,776	0.2%
Other changes in equity	3,232	(3,457)	(207.0%)
Other financial expense/(income)	1,549	(837)	(154.0%)
Change in inventories	9,040	10,454	15.6%
Change in receivables	(9,074)	4,415	(148.7%)
Change in payables	(26,298)	(6,804)	(74.1%)
Income tax paid	(712)	(1,905)	167.5%
Net cash flow from operating activities	7,625	38,045	399.0%
Purchases of property, plant and equipment	(4,325)	(18,122)	319.0%
Net cash flow used in investment activities	(4,325)	(18,122)	319.0%
Change in bank loans	31,066	(6,932)	(122.3%)
Other changes in share capital	(6,711)	(875)	(87.0%)
Interest paid	(5,621)	(4,738)	(15.7%)
Other financial income/(expense)	(1,549)	837	(154.0%)
Net cash flow from financing activities	17,185	(11,708)	(168.1%)
Bank balances and cash at the beginning of the year	8,962	28,082	213.3%
Change in cash and cash equivalents	20,484	8,215	(59.9%)
Effect of FX fluctuation on cash held	0	0	n/a
Bank balances and cash at the end of the year	29,447	36,297	23.3%

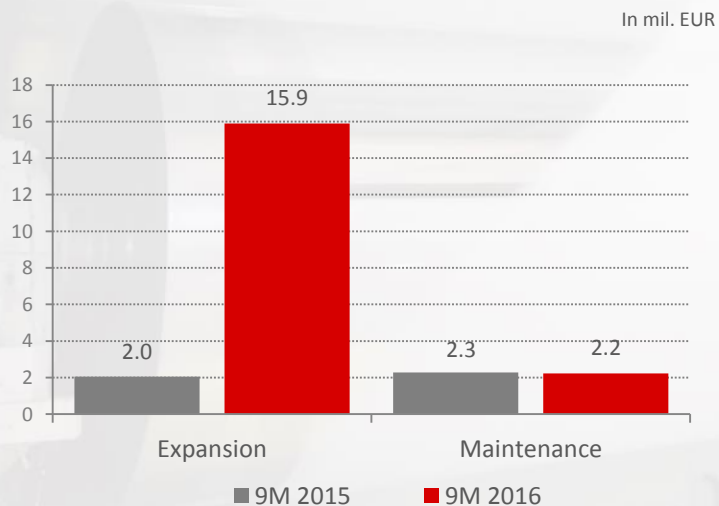
Note: Consolidated unaudited results

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/production hall 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 for 9M



2016 Guidance Confirmation

Overview

- 9M 2016 is in line with management expectation and announced outlook for the entire year

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

Dividend Declaration

- The AGM held in June approved a dividend payout of EUR 11,536,750, i.e. EUR 1.25 per share
- The source of the dividend is the 2015 profit and retained earnings from previous years
- The AGM approved the record date as 14 October 2016 and the payment date as 26 October 2016
- The dividend was not paid out on 461,470 of the Company's own shares. Therefore, the total dividend payout amounted to EUR 10,959,912.
- 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

