

## Vragen Valuesquare / Questions Valuesquare

### Vraag 1 :

Was de afwijzing van de deal met Kingspan de best mogelijke keuze in het belang van de aandeelhouders?

De Raad van Bestuur van Recticel heeft het initiële bod van Kingspan op alle aandelen van Recticel nooit afgewezen. Onderhandelingen waren lopende, waarbij vooraf garanties werden gevraagd over transactie zekerheid, naast een discussie over de waardering.

Tijdens deze onderhandelingen gaf Kingspan aan deze garanties niet te willen bieden, waarna Kingspan een bod uitbracht op twee divisies van de Recticel groep, met name Insulation en Flexible Foams, voor een waarde van € 700 miljoen. Dit laatste bod werd door de Raad van Bestuur van Recticel afgewezen omdat ook hierbij de gevraagde garanties niet werden geboden, en het deze divisies substantieel onderwaardeerde, zelfs vergeleken met het bod op alle aandelen. Deze visie werd overigens ruim gedeeld door de markt op dat moment. Bovendien zouden de resterende activiteiten van de Recticel groep geen leefbaar geheel kunnen vormen.

#### *Question 1:*

*Was the rejection of the deal with Kingspan the best possible choice in the interest of the shareholders?*

The Board of Directors of Recticel has never rejected the initial offer of Kingspan on all shares of Recticel. Negotiations were ongoing, whereby prior guarantees were requested about deal certainty, next to a discussion about the valuation.

During these negotiations, Kingspan indicated not be willing to give those guarantees, after which Kingspan made an offer on two divisions of the Recticel Group, i.e. Insulation and Flexible Foams, for a value of 700 million EUR. This last offer was rejected by the Board of Directors of Recticel because also here the requested guarantees were not given, and it substantially undervalued these divisions, even compared to the offer on all shares. This vision was also widely shared by the market at that time. Moreover, the remaining activities of the Recticel Group would not constitute a viable entity.

### Vraag 2 :

Is de retention bonus die toegekend is aan het management in het belang van de aandeelhouders?

Wanneer een partij een ongevraagd bod lanceert op een publieke vennootschap, kan dit leiden tot een lange periode van onzekerheid voor de vennootschap en haar managers.

Om te vermijden dat er een leegloop komt van de meest ervaren managers, wat een grote negatieve impact zou kunnen hebben op de resultaten van de vennootschap in de toekomst, wordt in dergelijke gevallen gebruikelijk voorzien in een retentiebonus, om de continuïteit van de vennootschap en de motivatie van de key managers te behouden in onzekere tijden.

#### *Question 2: Is the retention bonus granted to the management in the interest of the shareholders?*

When a party launches an unsolicited offer on a public company, this can lead to a long period of uncertainty for the company and its managers.

In order to avoid that multiple departures of the most experienced managers, which could have a material negative impact on the future results of the company, in such cases it is common to provide for a retention bonus, in order to maintain the continuity of the company and the motivation of the key managers in such uncertain times.

**Vraag 3 :**

Hoe bent u omgegaan met het conflict-of-interest ivm de retention bonus, aangezien leden van het management in raad van bestuur zetelen.

De vennootschapsrechtelijke procedure ter zake werd gevolgd en de betrokken bestuurder nam niet deel aan de beraadslaging, noch beslissing op dit punt.

Question 3:

*How did you handle the conflict-of-interest relating to the retention bonus, as member of the management are members of the board of directors.*

The applicable corporate legal procedure was followed and the director concerned did not take part to the deliberation, nor the decision relating to that item.

**Vraag 4 :**

U stipuleerde in het jaarverslag van 2018 4 doelstellingen (voor IFRS 16). Deze zijn er niet in het jaarverslag van 2019. Gezien enkele divisies verkocht worden zal de strategie ook verwachten. Wat zijn de nieuwe doelstelling voor Recticel waarop wij het bedrijf de komende jaren kunnen beoordelen?

- a. 10% aangepaste EBITDA marge op omzet
- b. ROCE > 15%
- c. Netto financiële schuld op eigen vermogen lager dan 50%
- d. Groei van de nettowinst en de dividenden met twee cijfers (= 10%)

De twee aangekondigde transacties betreffende Automotive Interiors and Eurofoam veranderen fundamenteel de Recticel Groep, naast de vorig jaar gerealiseerde desinvestering van Proseat.

De groep wordt grondig vereenvoudigd, ook op het vlak van financiële rapportering, en kan zich nog meer focussen op haar andere activiteiten, specifiek die met hogere toegevoegde waarde.

Nadat deze transacties voltooid zijn, zal de Raad van Bestuur zich beraden over de toekomstige strategie en zal ze hierover de markt ten gepaste tijde informeren, met allicht aangepaste doelstellingen voor de komende jaren.

Question 4:

*You stipulated in the annual report of 2018 4 targets (for IFRS 16). These are not mentioned in the annual report of 2019. As a few divisions are sold, the strategy will also “change” (verwachten). What are the new targets for Recticel based upon which we can assess the company in the coming years?*

- a. 10% adjusted EBITDA margin on sales
- b. ROCE > 15%
- c. Net financial debt on equity lower than 50%

*d. Double digit growth of the net earnings and the dividends (=10%)*

The two announced divestments of Automotive Interiors and Eurofoam, together with the realized divestment of Proseat last year, fundamentally change the Recticel Group.

The Group will be much simplified, also with regard to financial reporting, and will be able to focus more on its other activities, in particular those with higher added value.

After these transactions will be closed, the Board of Directors will further deliberate and decide on the future strategy and will inform the market thereof at the appropriate time, with likely adapted financial targets for the coming years.

## Questions Soprema

### Questions under 1 :

Events after the reporting date : “Divestment Automotive Interiors division and 50% stake on the Eurofoam Flexible Foams joint-venture” :

#### Question 1-A :

What is the impact of each divestment on the Sales, EBITDA and Net Result of i) the Group and ii) each Segment of the Group ? (basis both proforma Y 2019 and forecast 2020)

<u>FY 2019 - Combined</u>	<u>Group</u>	<u>Eurofoam</u>	<u>Automotive Interiors</u>
In m€	<i>as published</i>		
Sales	1220.9	-182.5	- 161.7
EBITDA	105.6	-20.0	-20.3
EBIT	40.3	-12.8	+ 1.6

The pro forma impact on the Group Net result of both divestments for 2019 would be -0,7 m€. We do not publish nor comment forecasted financial data.

#### Question 1-B :

Why is the Automotive Interiors transaction expected to generate a loss ?

The Board of Directors decided to accept the best offer received for the divestment of the Automotive division, accepting that this would generate a loss compared to the book value, in the present economic environment, with the automotive sector already impacted as of 4<sup>th</sup> quarter 2019 by a reduced demand, further amplified by the Covid-19 crisis.

Part of the loss may be recuperated when the 49% remaining will be divested.

#### Question 1-C :

What is the expected allocation or destination of the net cash proceeds resulting from the divestments ?

The net cash proceeds will be allocated in first instance to reimburse Group debt, providing substantial financing headroom to contemplate M&A deals and/or other investments in its strategic and high value added activities.

#### Question 1-D :

Is the timeline of those divestments confirmed in spite of Covid-19 ?

Closing actions are proceeding as planned for both transactions, and the closing of both transactions is still expected to take place around the end of June 2020.

### Question 1-E :

What is the Business Strategy of Recticel Group after such divestment ? Which kind of expansion is expected ?

The two announced divestments of Automotive Interiors and Eurofoam, together with the realized divestment of Proseat in 2019, fundamentally change the Recticel Group.

The Group will be much simplified, also with regard to financial reporting, and will be able to focus more on its other activities, in particular those with higher added value.

After these transactions will be closed, the Board of Directors will further deliberate and decide on the future strategy and will inform the market thereof at the appropriate time, with likely adapted financial targets for the coming years.

### Question 2 :

Combined Statements versus Consolidated Statements : what is the objective of duplicating the financial information of the Group with such double concept ?

IFRS obliges us to publish consolidated statements on one hand, which include the jointly controlled joint ventures results according to the equity method. However, the joint ventures are businesswise managed together with the fully owned businesses, and hence combined results are published as well, as these provide the business view on the operations. This specifically concerned the Eurofoam business.

With the two announced divestments, the need to publish combined statements disappears. Going forward, only consolidated figures will be published, allowing a simplified financial reporting.

### Question 3 :

IFRS16 adjustment : adjustment to the Consolidated EBITDA is + 24,5 M€ whereas adjustment to the Consolidated Net Debt is (only) 80 M€. Please explain.

The Consolidated EBITDA adjustment of +24.5 M€ is composed of 21.7 M€ depreciation and 4 M€ interest expenses with the difference impacting EAT (cfr. Annual Report p. 146 – Impact IFRS 16 on Income Statement) and represent the lease payments due during the year.

The corresponding Consolidated Net Debt addition of 80 M€ is calculated at the present value of outstanding lease payments, discounted at an agreed theoretical borrowing rate, and calculated taking into account the duration of the respective leases.

### Question 4 :

Annual Report p. 163 : what is the detail and nature of the Corporate Costs growing from 16 801 T€ last year to 20 754 T€ in Y2019 ?

The increase in corporate costs is related to 1/ restructuring costs induced by overhead rationalization measures, 2/one-off M&A related costs linked to the Kingspan approach, and 3/ the retention bonus.

### Question 5 :

Are any operating expenses activated or capitalized (such as R&D costs, etc..) and consequently excluded from the EBITDA ? (Amounts and nature)

R&D costs are fully expensed. Capitalized costs include essentially the internal project costs relating to ERP (SAP) roll-outs and project development and pre-operating costs in Automotive Interiors. We choose not to provide detailed amounts on this point.