

RECTICEL

3rd Quarter Trading Update Perspectives Digitalisation & Sustainable Development

Olivier Chapelle – Chief Executive Officer
Jean-Pierre Mellen – Chief Financial Officer
Michel De Smedt – Investor Relations Officer

Agenda

- ▶ Highlights & 3Q2019 Trading Update
- ▶ Economic Status of End-Use Markets
- ▶ Outlook FY2019 & Financial Position
- ▶ Sustainable Development

Highlights 1H2019 : reminder

1

Like-for-like 1H2019 Combined Sales 630.6m€ | Adj EBITDA 58.4m€ | Net Result 16.1m€ (after IFRS 16)

2

**Reduction of participation in Proseat joint venture (Automotive), from 51% to 25% (exit 1/1/2022 latest)
Increase of participation in Turvac joint venture (Vacuum Insulated Panels - Insulation) from 50% to 74%**

3

Strong performance of Flexible Foams division

4

Bedding division back on growth path in 2Q2019, supported by its new product offering (Geltex 2.0)

5

Double digit volume growth in Insulation division, new Finland plant still in ramp-up phase

6

German plants of Hassfurt (Bedding) and Troisdorf (Flexible Foams) have been closed

7

Net Financial Debt, Gearing and Leverage reached historical bests, at 144.1m€, 31.5%, and 0.9 (before IFRS 16)

8

IFRS 16 impacts on full year 2019: ~27.0m€ on Combined EBITDA and +117.1m€ on Combined Financial Debt

Like-for-like: Sales: -7.6% | Adj. EBITDA: -15.4% | EAT: -10.7%

Like-for-like Net Financial Debt reduced by 56.9m€ over last 12 months

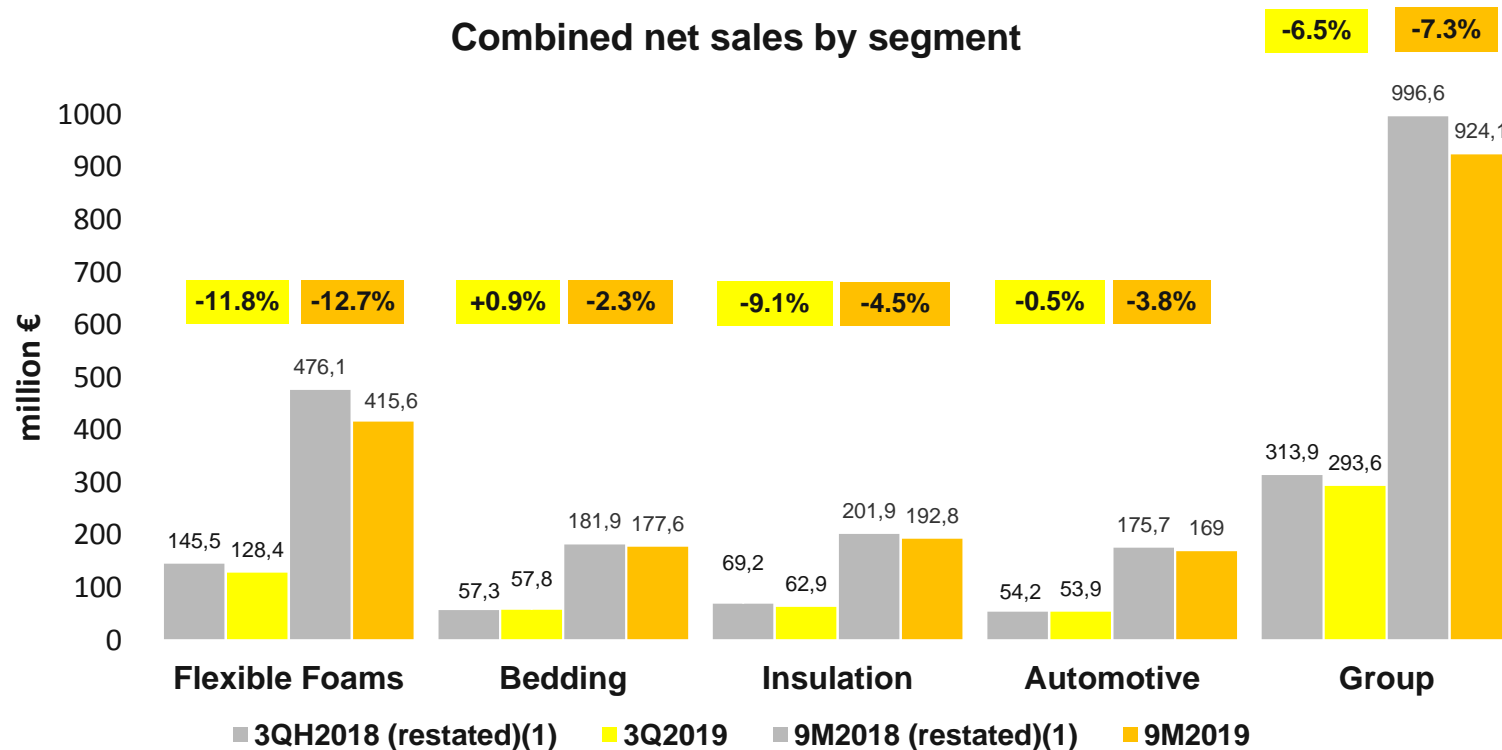
Impact IFRS 16 on full year basis: EBITDA: +27.0m€ | Debt: +117.1m€

	As Published	Proforma with Proseat at Equity Method	Proforma before IFRS 16	IFRS 16 impact	As Published	
in m€	2018	2018	2019		2019	PF19/PF18
Net sales	755.9	682.7	630.6	0.0	630.6	92%
Adjusted EBITDA	56.2	53.3	44.9	13.5	58.4	84%
Adjustments to EBITDA	-4.6	-4.6	0.3	0.0	0.3	
EBITDA	51.5	48.7	45.2	13.5	58.7	93%
Depreciation	-20.0	-18.1	-19.5	-11.9	-31.4	
Impairment	-0.6	-0.6	-0.7	0.0	-0.7	
Adjusted EBIT	36.2	35.1	25.5	1.6	27.0	72%
EBIT	31.0	29.9	25.0	1.6	26.6	84%
Financial result	-5.3	-4.7	-2.6	-2.2	-4.9	
EBT	25.6	25.3	22.4	-0.6	21.7	89%
Tax Current	-3.8	-3.5	-5.7	0.0	-5.7	
Tax Deferred	-3.1	-3.1	0.0	0.0	0.0	
EAT	18.7	18.7	16.7	-0.6	16.1	90%
Capex (Booked)	-25.6	-24.6	-17.1		-17.1	
Combined Net Financial Debt (Incl. off balance sheet factoring)	201.0		144.1	117.1	261.3	

3Q2019 Trading Update: **combined sales** decreased by 6.5% (on a like-for-like basis¹)

Lower net sales reported in all segments

- **Flexible Foams** (-11.8%) : continues to face soft demand in the durable consumer goods and automotive end-markets, leading to lower volumes. The reduced chemical raw material costs led to progressively lower average selling prices.
- **Bedding** (+0.9%) : external sales increased for a second quarter in a row (2Q2019: +3.6%; 3Q2019: +1.9%).
- **Insulation** (-9.1%) : volumes increased by single-digit percentage in 3Q2019, but sales remaining offset by lower selling prices following the decline in raw material costs.
- **Automotive** (-0.5%) : reported lower sales on a like-for-like¹ basis as market demand remained weak in the Chinese and European automotive markets.



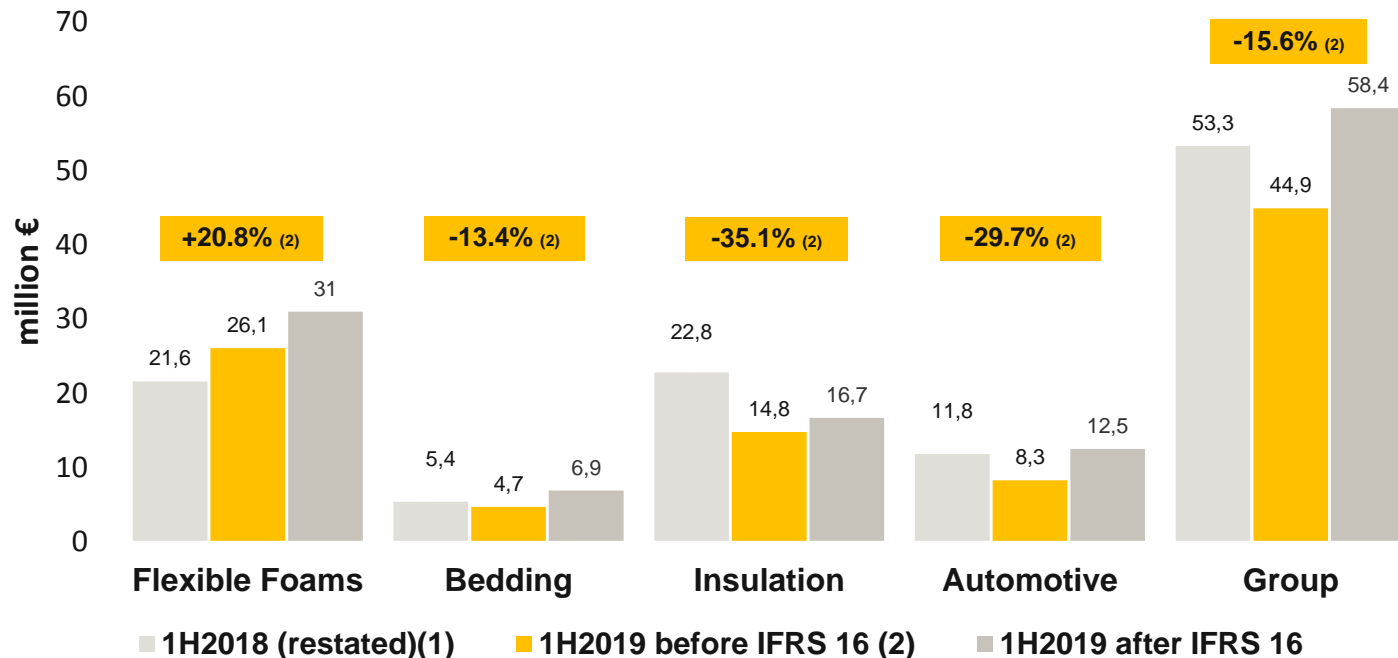
¹ Following the partial divestment from Proseat (Automotive – Seating) in February 2019, Proseat is now integrated in the 2019 combined figures according to the 'equity method', i.o. previously on a proportionate basis. For comparison purposes the 2018 data have been restated accordingly.

Like-for-like^{1/2} combined Adj. EBITDA decreased by 15.6%

Challenging market environment impacts profitability, except in Flexible Foams

- **Flexible Foams** (+20.8%) : despite lower volumes and some selling price erosion, Flexible Foams benefitted from positive mix and operational improvements.
- **Bedding** (-13.4%) : impacted by lower sales over 1H2019, and increase advertising expenditures versus 1H2018.
- **Automotive** (-29.7%) : profitability decreased, impacted by lower demand and the new program ramp-ups in the Tuscaloosa plant (USA).
- **Insulation** (-35.1%) : profitability decreased, despite double-digit volumes growth, as a consequence of the new Finland plant ramp-up and of temporary margin reduction due to price erosion linked to chemical raw material costs drop.

Combined Adjusted EBITDA by segment



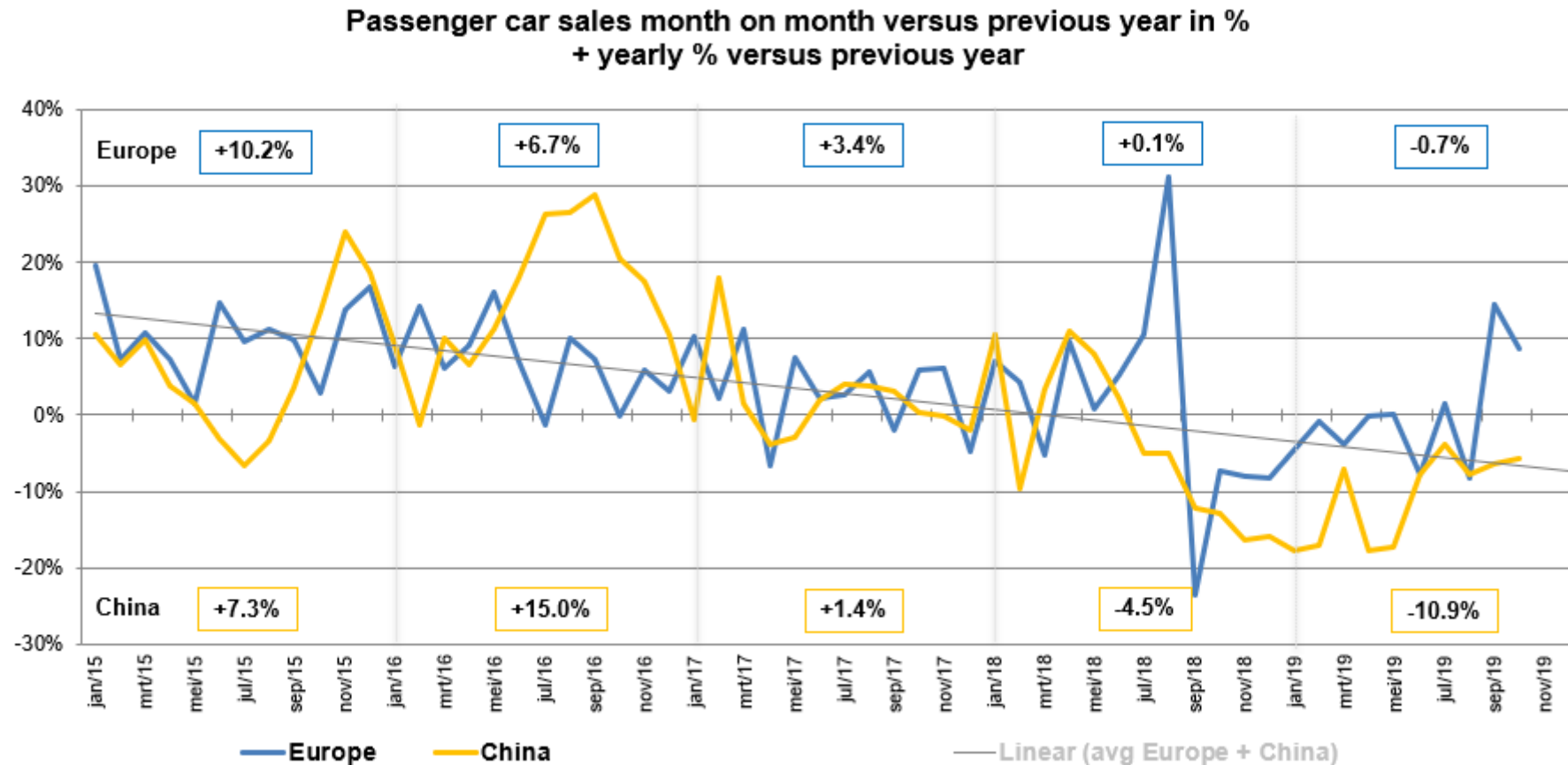
¹ Following the partial divestment from Proseat (Automotive – Seating) in February 2019, Proseat is now integrated in the 2019 combined figures according to the 'equity method', i.o. previously on a proportionate basis. For comparison purposes the 2018 data have been restated accordingly.

² To facilitate comparisons and understanding of the Group's underlying performance, all comments in this document on developments in revenue or results are made on a like-for-like basis unless otherwise indicated; i.e. 2018 restated data compared to 2019 data before the impact of IFRS 16.

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Automotive: new passenger car registrations YTD Oct remain negative (on the basis of negative comparables !!), exception in Europe vs an exceptional Sept/Oct 2018 (new WLTP norms)



Source :
Europe : ACEA
Asia : Statista & Marklines.com

Construction in United Kingdom: new construction activities are weakening.



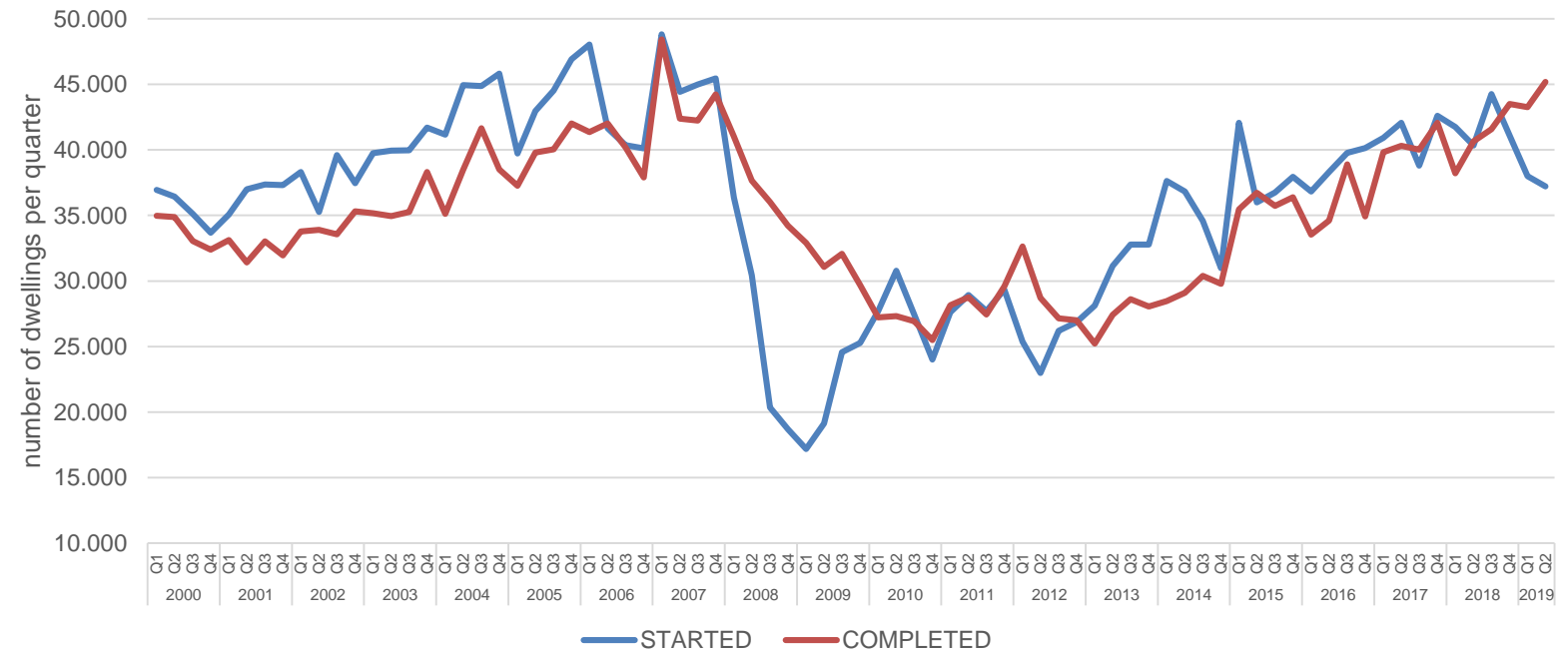
Ministry of Housing,
Communities &
Local Government

House building; new build dwellings, England: June Quarter 2019

The Ministry of Housing, Communities and Local Government also publishes an annual release entitled 'Housing supply: net additional dwellings', which is the primary and most comprehensive measure of housing supply. The new build dwellings release should be regarded as a leading indicator of overall housing supply. This release includes, also, information from Energy Performance Certificates, another leading indicator of total housing supply.

- On a quarterly basis, new build dwelling starts in England were estimated at 37,220 (seasonally adjusted) in the latest quarter, a 2 per cent decrease compared to the previous 3 months and an 8 per cent decrease on a year earlier. Completions were estimated at 45,190 (seasonally adjusted), a 4 per cent increase from the previous quarter and 11 per cent higher than a year ago.

House building in UK : evolution of permanent dwellings started and completed



Construction in France: new permits to build and construction activities are going down

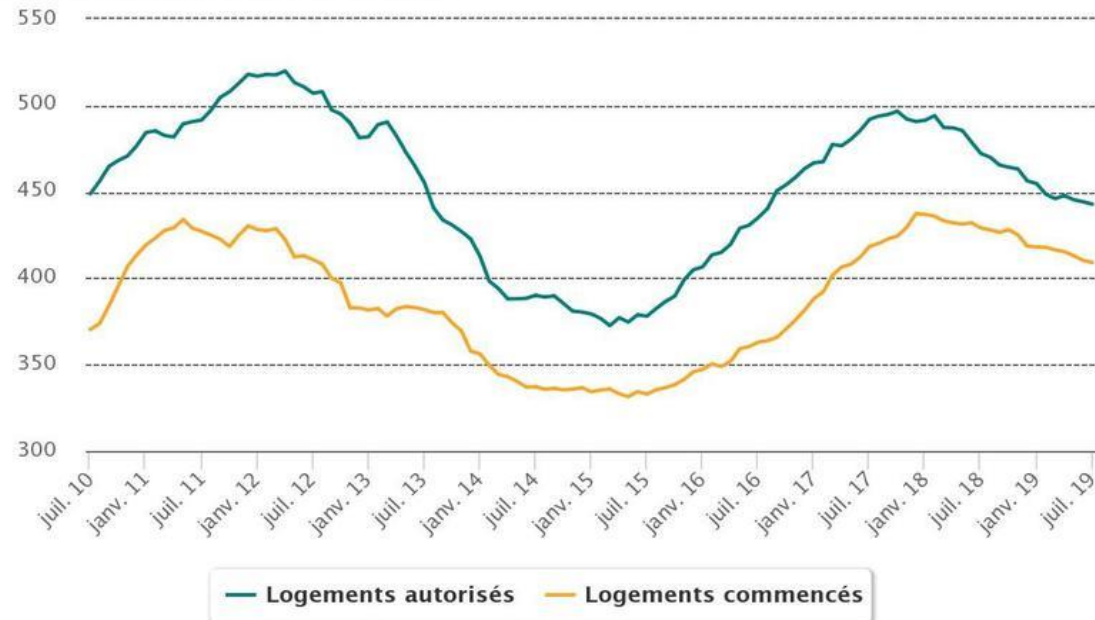
La France n'a jamais aussi peu construit de logements depuis 3 ans

Par Guillaume Errard
Publié le 28/08/19 à 10:13

INFOGRAPHIE - En juillet, près de 443.000 logements ont été autorisés à la construction, selon le ministère de la Cohésion des territoires. Un chiffre en baisse de 6,2% sur un an. Du jamais vu depuis août 2016!

Nombre de logements cumulés sur douze mois

En milliers de logements, données brutes



La construction de logements continue à baisser au 3e trimestre

Par Le Figaro avec AFP
28 octobre 2019

Les mises en chantiers de logements ont reculé au troisième trimestre en France, ainsi que les permis de construire, montrent lundi les chiffres officiels, confirmant leur tendance générale à la baisse depuis près de deux ans avec, notamment, une aggravation pour les immeubles.

Entre juillet et septembre, 114.600 **permis de construire** ont été donnés, soit **un recul de 5,8%** par rapport à la même époque de l'an dernier, selon les chiffres du ministère de la Cohésion des Territoires, dont dépend le Logement. Du côté des **mises en chantier**, la construction de 86.200 logements a été entamée, **un recul de 1,5%**.

Construction in Belgium: new permits to build are substantially decreasing



Building permits: July 2019

HOUSING 31 October 2019

Annual evolution

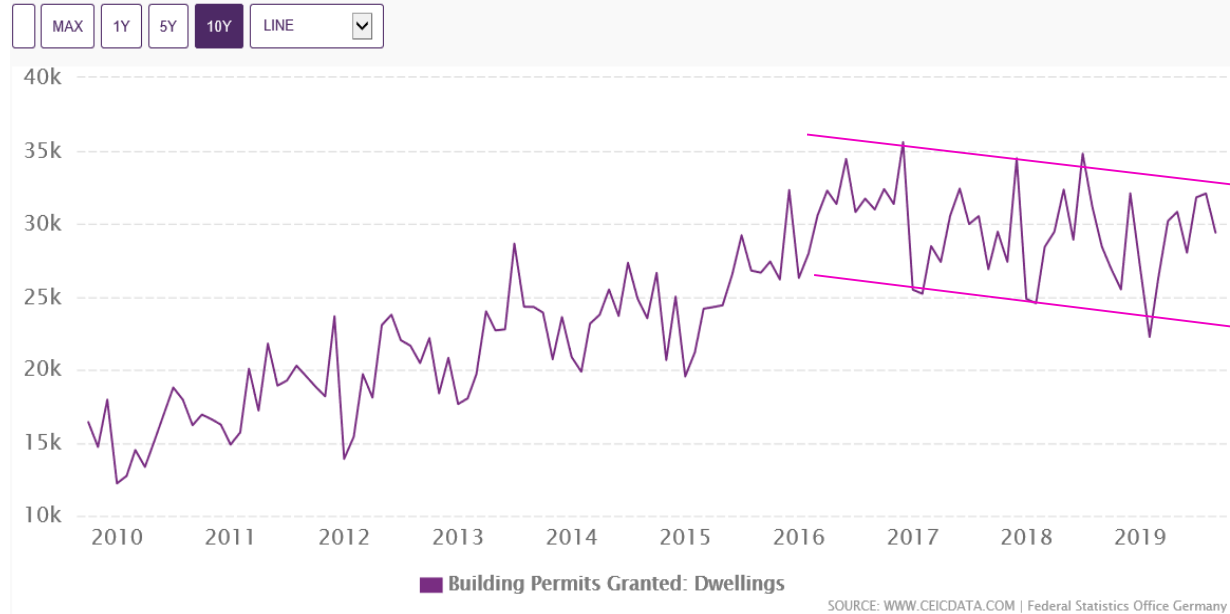
The number of permits issued for new residential buildings in the first 7 months of 2019 has decreased by 12.9 % to 15,943 buildings compared to the same period in 2018. The decrease in the Flemish Region amounted to 16.1 %. In the Walloon Region, the number of permits issued for new residential buildings was 1.4 % lower, and the Brussels-Capital Region registered a decrease of 21.2 %.

Table 1: Figures for the first 7 months - number of building permits for new residential buildings + evolution compared to the previous period

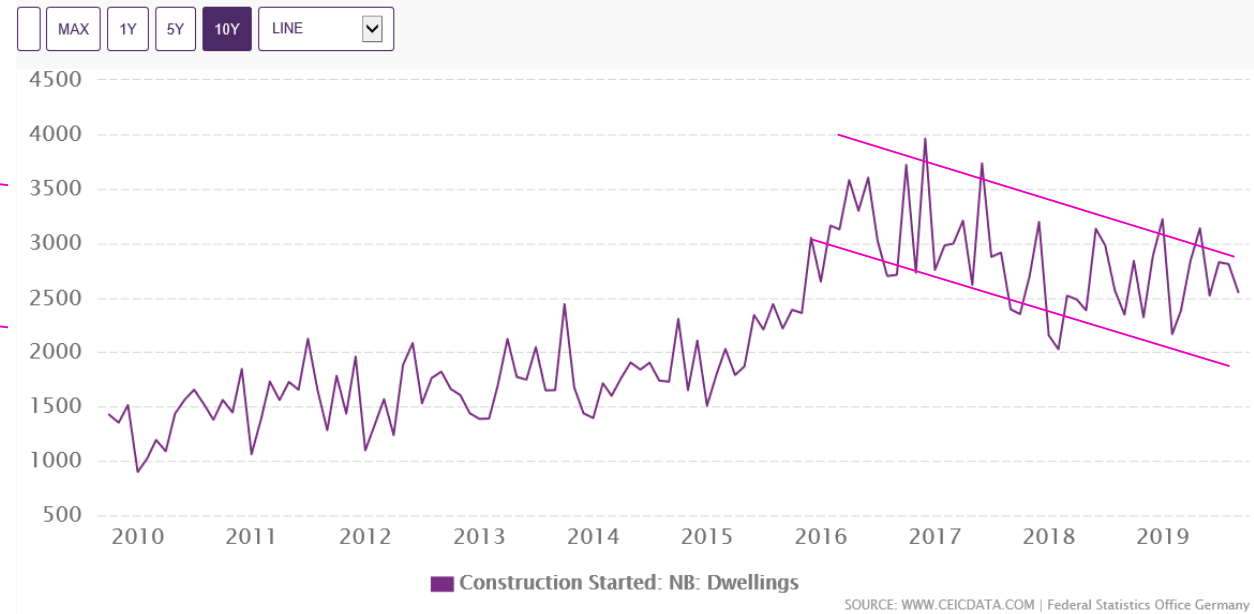
	Belgium		Flemish Region		Walloon Region		Brussels-Capital Region	
2005	18,447		12,873		5,351		223	
2010	19,713	(+6.9%)	14,083	(+9.4%)	5,493	(+2.7%)	137	(-38.6%)
2015	12,704	(-35.6%)	8,932	(-36.6%)	3,641	(-33.7%)	131	(-4.4%)
2016	15,023	(+18.3%)	11,265	(+26.1%)	3,622	(-0.5%)	136	(+3.8%)
2017	12,217	(-18.7%)	8,043	(-28.6%)	4,058	(+12.0%)	116	(-14.7%)
2018	18,305	(+49.8%)	14,218	(+76.8%)	3,988	(-1.7%)	99	(-14.7%)
2019	15,943	(-12.9%)	11,934	(-16.1%)	3,931	(-1.4%)	78	(-21.2%)

Construction in Germany: new permits to build and construction are declining.

View Germany's Building Permits Granted: Dwellings from Jan 2000 to Sep 2019 in the chart:



View Germany's Construction Started: NB: Dwellings: Germany from Jan 2003 to Sep 2019 in the chart:



Q3 2019 Trading update of our raw material suppliers : low volumes and price erosion



“Huntsman optimistic despite sales, earnings hits in Q3”

Huntsman Q3 2019 (\$ m)			
	Q3 2019	Q3 2018	Change %
Sales	1687	1968	-14.3%
Adjusted EBITDA	215	308	-30.2%
Margin %	13%	16%	
Polyurethanes			
Sales	993	1126	-11.8%
Adjusted EBITDA	146	218	-33.0%
Margin %	14.7%	19.4%	

Source: Huntsman



“Difficult conditions and looser isocyanate supply hit Dow in Q3 2019”

Dow Q3 2019 (\$ bn)			
	Q3 2019	Q3 2018	Change %
Sales	10.77	12.7	-15.2%
Operating EBIT	1.12	1.61	-30.7%
Margin %	10.38	12.69	
Industrial Intermediates & Infrastructure			
Sales	3.37	3.91	-14.0%
Operating EBIT ¹	193	466	-58.6%
Margin %	5.74	11.91	

Source: Dow

Note:¹ (\$ m)



“Weaker diisocyanate prices hit EBITDA at Covestro”

Covestro Q3 2019 (EUR m)			
	Q3 2019	Q3 2018	Change %
Sales	3162	3702	-14.6
EBITDA	425	859	-50.5
Margin %	13	23	
Polyurethanes			
Sales	1478	1849	-20.1
EBITDA	196	432	-54.6
Margin %	13.3	23.4	
Coatings Adhesives Specialties			
Sales	588	606	-3.0
EBITDA	111	126	-11.9
Margin %	18.9	20.8	

Source: Covestro

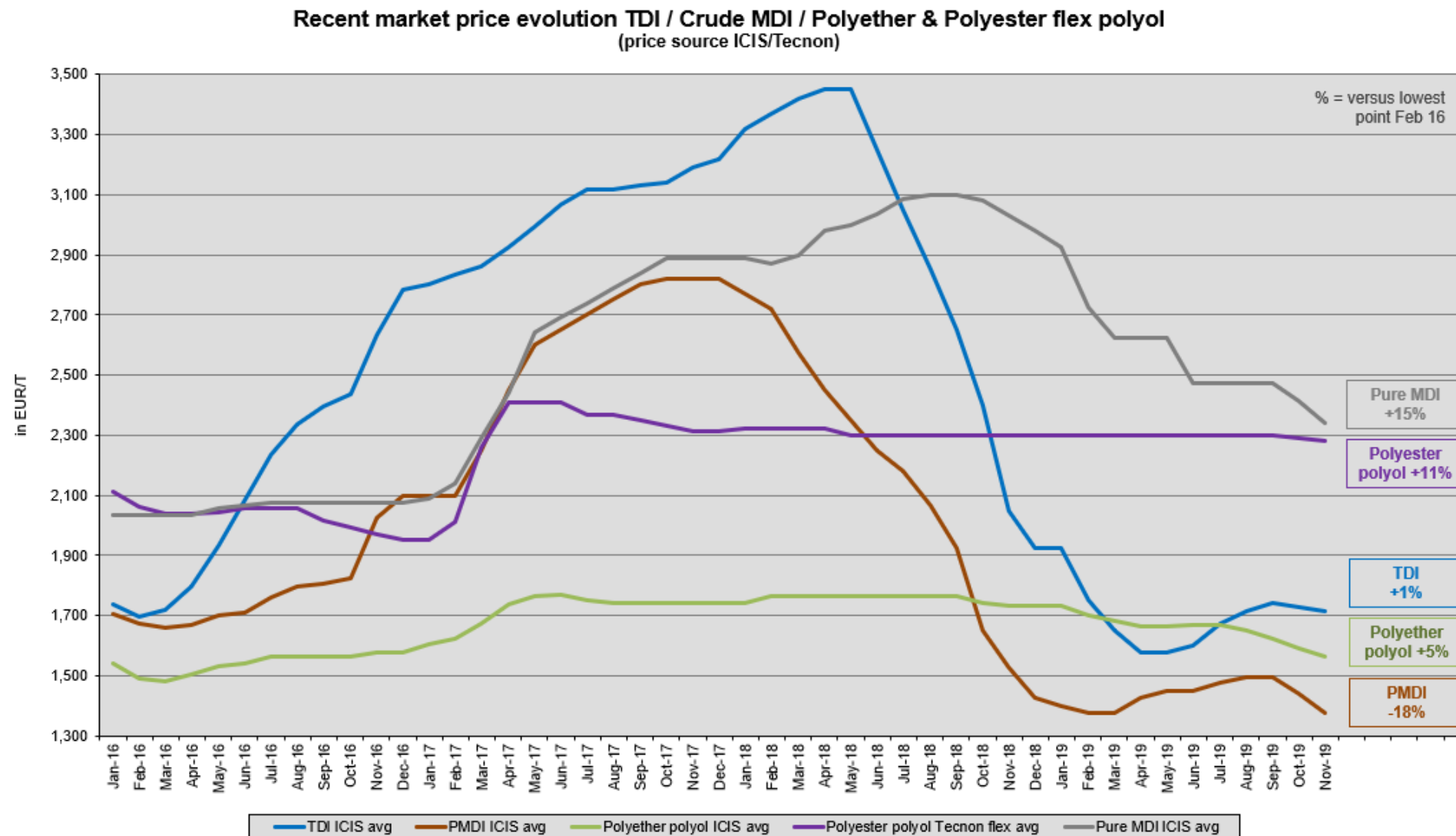


“Lower isocyanate prices hit BASF’s Q3 performance”

BASF Q3 2019 (EUR bn)			
	Q3 2019	Q3 2018	Change %
Sales	15.23	15.61	-2
EBITDA	2.34	2.19	7
Margin %	15.4	14.0	
Materials Division			
Sales	2.84	3.32	-13
EBITDA (m)	449	814	-45
Margin %	15.5	24.5	
Performance Materials			
Sales	1.51	1.60	-6.1

Source: BASF

As a consequence of weak end-use markets and imbalance in supply/demand, MDI & TDI prices are still declining.



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Automotive Interiors divestment update

The Automotive Interiors divestment process continues its course in unfavourable market circumstances. Interested parties are currently assessing the division and we expect the outcome to be announced around the year-end.

Outlook (press release 30 October 2019)

The economic and geopolitical environment remains highly volatile and increasingly uncertain. Taking into account the lower than expected margin improvement in the Insulation activities, when compared to the first half of the year, we anticipate our 2019 full year Adjusted EBITDA to be 5% to 10% below 2018 on a like-for-like basis. Recticel is in a strong financial position and has demonstrated its ability to adapt to rapidly changing market conditions.

5-years view of capital structure shows substantial continuous progress.

On 30 June 2019, pre-IFRS 16 Net Financial Debt hits new record low level of 144.1 m€, in parallel with gearing & Leverage.

				As published	As published	Proforma before IFRS 16	IFRS 16 impact	As published
Combined Group capital structure (m€)	2015	2016	2017	H1 2018	2018	H1 2019		H1 2019
Total Equity	249.0	251.2	262.0	254.7	265.0	266.5	-0.6	265.9
Net Financial Debt (on + off balance sheet)	183.5	178.2	177.6	201.0	151.5	144.1	117.1	261.3
Factoring	60.4	52.2	54.7	62.3	51.3	60.2		60.2
Net Financial Debt (on balance sheet)	123.0	126.0	122.9	138.7	100.2	83.9	117.1	201.1
Gearing (on + off balance sheet)	74%	71%	68%	79%	57%	54%		98%
Gearing (on balance sheet)	49%	50%	47%	54%	38%	32%		76%
Leverage (on + off balance sheet)	2.7	2.1	1.9	1.9	1.6	1.5		2.2
Leverage (on balance sheet)	1.8	1.5	1.3	1.3	1.1	0.9		1.7

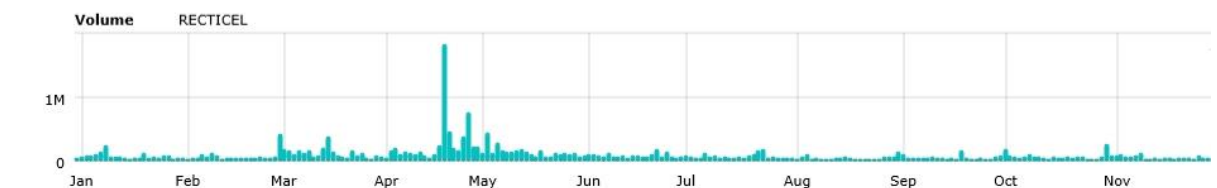
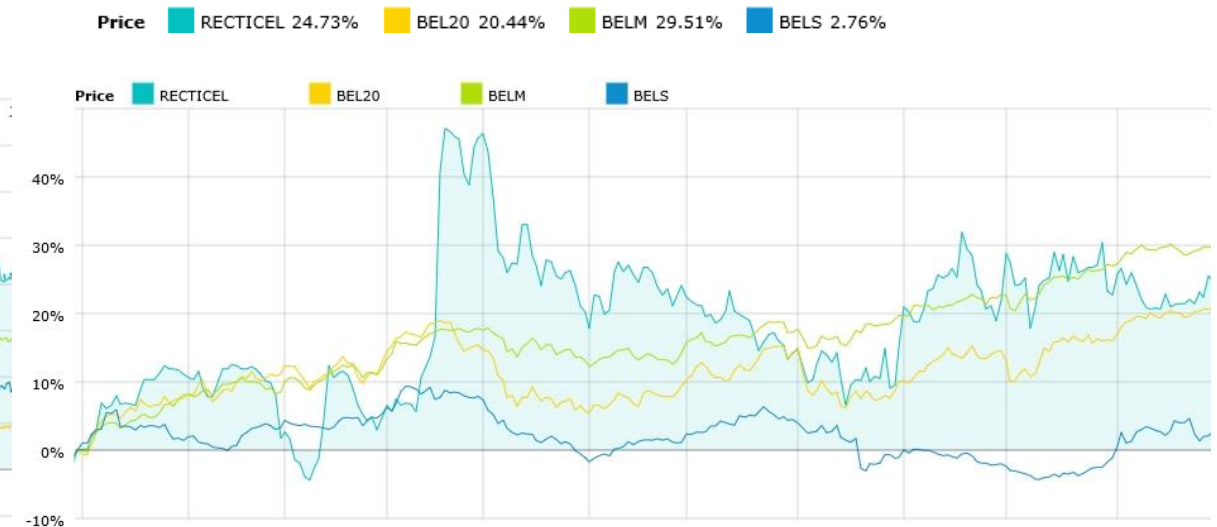
As per 30 Sept 2019, IFRS 16 adds 90.8m€ to Combined debt and 84.0m€ Consolidated debt

<i>in million EUR</i>		30 SEP 2018	30 JUN 2019	30 SEP 2019
TOTAL EQUITY - before IFRS 16	(a)	-	266,5	-
<u>Combined debt figures</u>				
Net financial debt on balance sheet	(b)	117,9	83,9	113,5
+ Impact of application IFRS 16	(b)	-	117,1	90,8
+ Drawn amounts under factoring programs		69,2	60,2	32,9
TOTAL COMBINED NET FINANCIAL DEBT		187,1	261,3	237,2
Gearing - combined before IFRS16	(c)=(b)/(a)	-	31,5%	-
Leverage - combined before IFRS16	(c)=(b)/(a)	-	0,9	-
<u>Consolidated debt figures</u>				
Net financial debt on balance sheet	(d)	87,0	73,8	105,5
+ Impact of application IFRS 16	(b)	-	109,8	84,0
+ Drawn amounts under factoring programs		69,2	60,2	32,9
TOTAL CONSOLIDATED NET FINANCIAL DEBT		156,2	243,9	222,4
Gearing - consolidated before IFRS16	(e)=(d)/(a)	-	27,7%	-
Leverage - consolidated before IFRS16	(c)=(b)/(a)	-	0,9	-

Our stock price has been volatile since the summer 2018 Automotive markets hick-ups.
 Public offer by Kingspan on April 16th 2019, progressively converging to pre-offer levels !

From: 2015-01-01 to: 2019-12-01

From: 2019-01-01 to: 2019-12-01



Key Objectives 2020

1

Financials : make the numbers !

2

Compensate for external factors: volatile economy, raw material prices & currencies fluctuations

3

Finalize divestment of the Automotive Interiors division

4

Increase M&A activities to grow high value added segments.

5

**Leverage new plants : 1/ Insulation in Finland, 2/ Flexible Foam in Morocco
Pursue rationalisation of the Group industrial footprint & corporate functions**

6

Innovation : eco-design bedding at IMM (Jan 2020), introduce Lambda 20 insulation panel (Dec 2020)

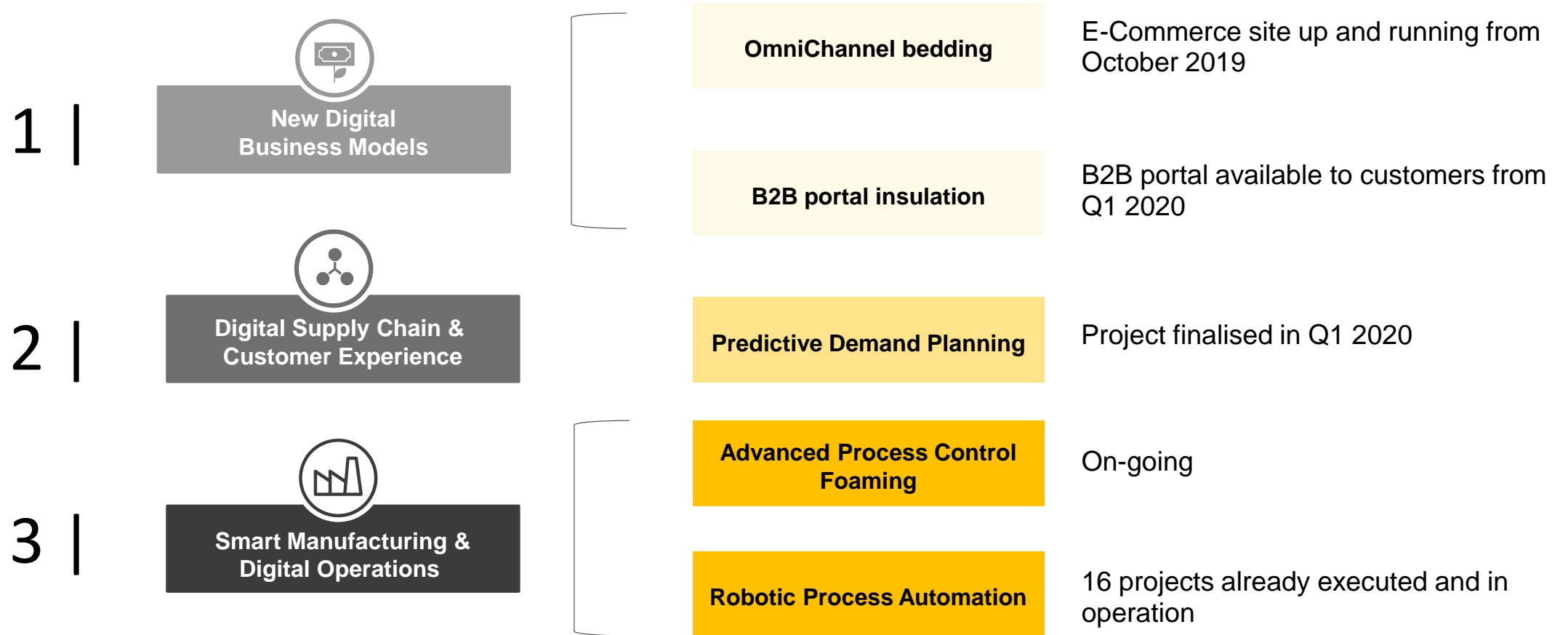
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**Accelerate Sustainable Development initiatives
Accelerate Digitalisation initiatives**

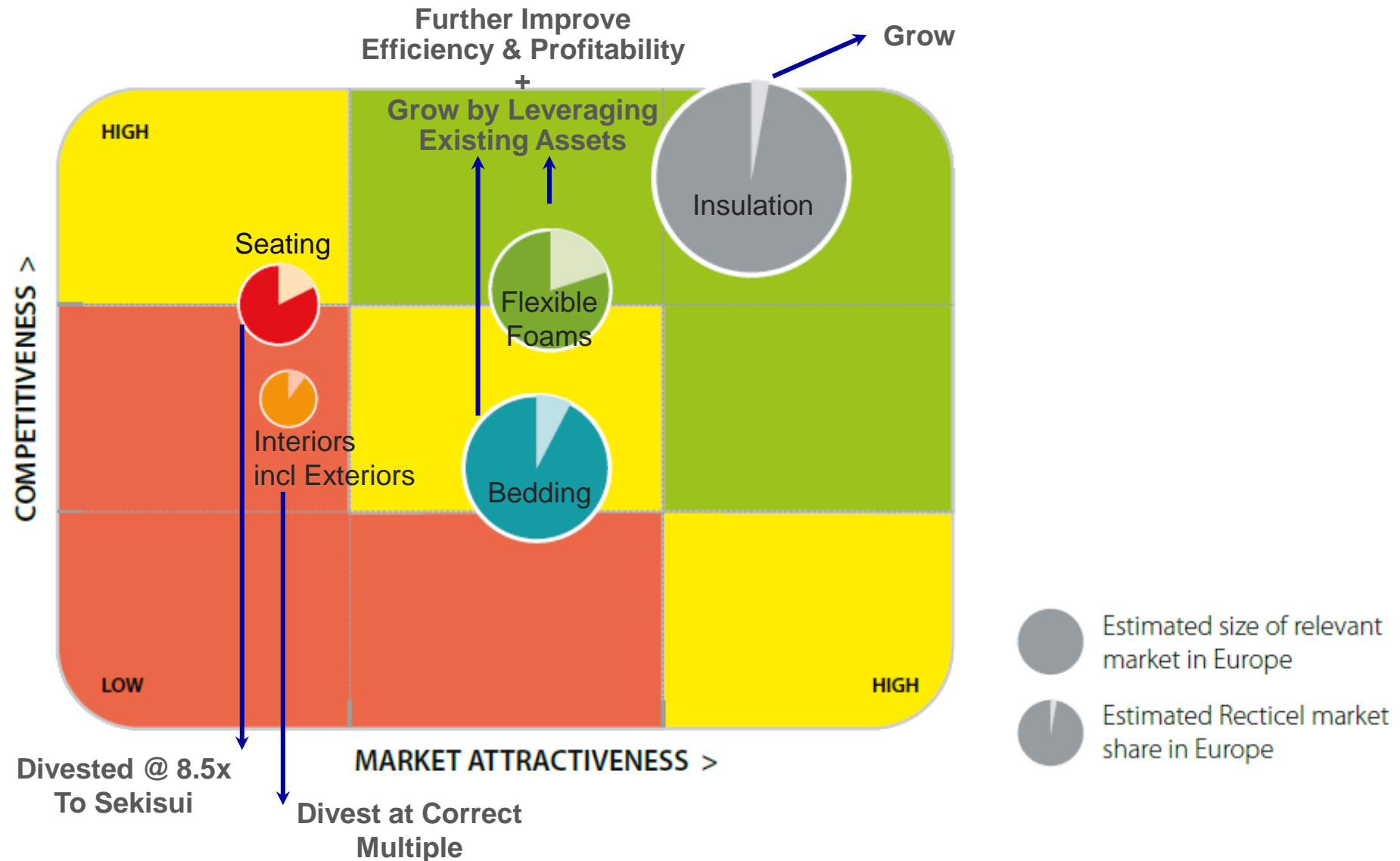
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Digitalisation and sustainable development



Portfolio strategy progressively focussing on “Sustainability contributive” divisions



Business aligned sustainable innovation – 5 innovation programs



Fit²

Bedding
Flexible Foams



Geltex[®] 2.0

foam and mattresses introduced in January 2018 at IMM trade fair in Cologne.

Introduction in 2018 of CO₂-based materials for the Kapua[®] foam product family.

KAPUA[®]



Silencing

Flexibe Foams
Insulation

Center of competence for acoustics (noise & vibration damping)

Simfofit[®] and Silentpart[®]

fiber-bonded foam acoustic insulation panel reducing sound by up to 12dB



Low Lambda

Insulation

Xentro[®] insulation technology introduced in 2017



and the improved Dupanel[®] X insulation boards for agricultural buildings

Dupanel[®] X



X-Lite

Automotive

ColoSense[®] X-Lite skin technology passed development gate #5 out of 6



Sustainability

Bedding
Automotive
Flexible Foams
Insulation

Prepare durable PU-products for the circular economy



EU-funded R&D programs such as :

- PUreSmart
- Valpumat
- Carbon4PUR
- Sweetwoods



Fibre Bonded Foam : the solution for mechanical recycling



End of Life (EOL) foam from mattress recycling

- fibre bonded foam (FBF)
- taking into account legislative, sorting and HSE constraints

applications

- acoustical insulation
- Shockpads & Flooring
- Introduction in Bedding



Fibre Bonded Foams: thermal & acoustic properties equivalent to Mineral Wool



Applications

Density 80

Wall acoustic insulation



 **Silentwall®**

Eenvoudig aan te brengen akoestisch isolatiepaneel voor het reduceren van luchtgeluid (professionelen)

 **Simfofit®**

Akoestisch isolatiepaneel voor een vermindering van luchtgeluid (doe-het-zelf)

Density 30

Wall acoustical + thermal insulation



Density 150

Floor acoustical insulation

 **Comfofix®**

Pop-in-place isolatie voor hellende daken



H2020 PUReSmart

- Project coordinator : Recticel
 - Budget 6m€ (Recticel: 1.2m€)
 - H2020 EU project : 100% financing
 - Start 1 Jan 2019
 - TRL 4 → TRL 6: pilot phase
-
- Focus of project : recover 90% of end-of-life PU
 1. Smart design
 2. Smart sorting
 3. Smart chemolysis
 - higher recovery of the raw materials by chemical breakdown
 - 2 Recticel patent applications



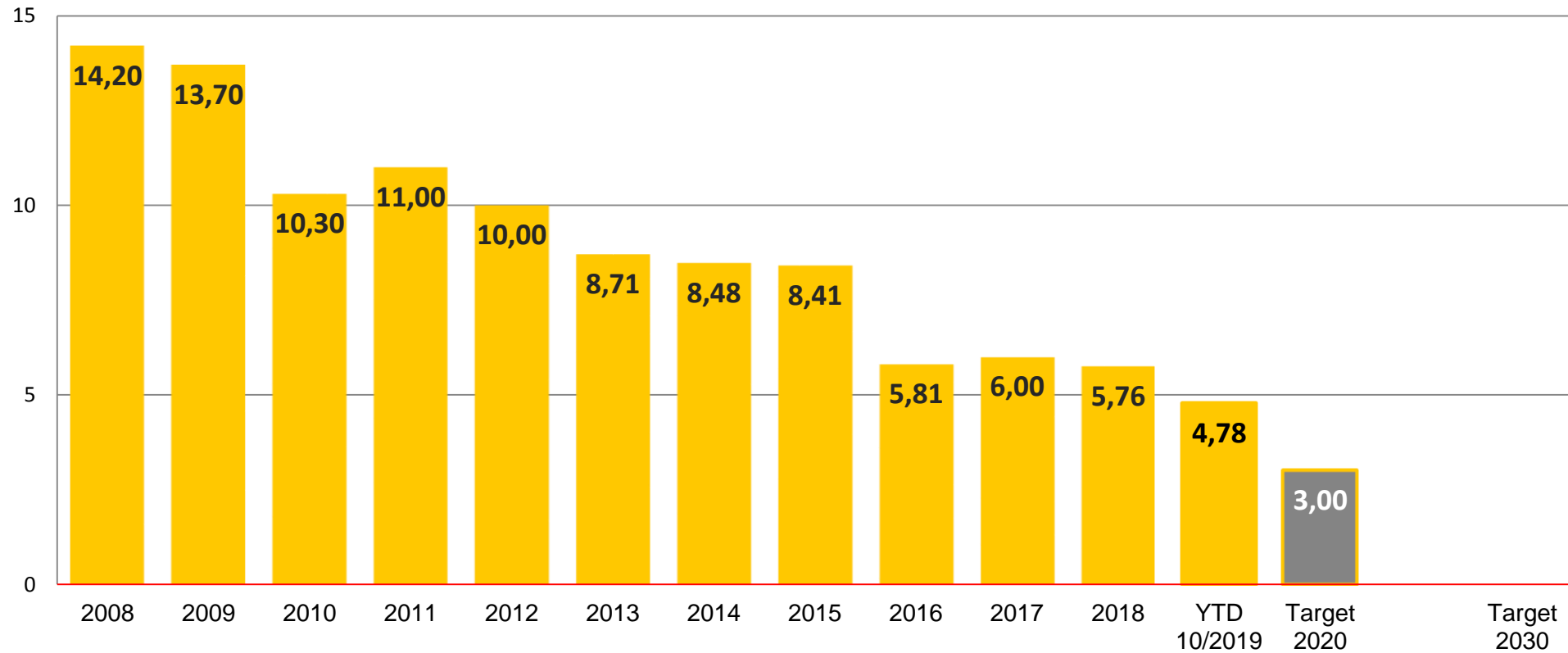
More sustainable Supply Chain

- Over the last 9 years, 45 factories have been shut, while 16 have been opened, essential related to thermal and acoustic insulation.
- Factories progressively equipped with solar panels
- Relighting projects ongoing in largest facilities
- Wind mill to be started in Wetteren by mid-2021
- Roadmap created to reach green electricity sourcing at 75% by 2024, compared with 17% today.
- Carbon footprint of raw materials taken into consideration in choosing suppliers.



Operating in an environment hunting to be Simply Safe

Frequency index - labour accidents



**Simply
Safe**

Recticel rated "A" by MSCI in April 2018

RECTICEL N.V. (REC)

COMMODITY CHEMICALS | BE

ESG RATING A

LAST UPDATE: April 19, 2018

OWNERSHIP OVERVIEW

Capital Structure Single Equity Class

Ownership Classification Principal Shareholder

Top Shareholders:

Compagnie du Bois Sauvage SA- 27,56%

INDUSTRY RATING DISTRIBUTION

Rating	Percentage
CCC	19%
B	22%
BB	26%
BBB	7%
A	15%
AA	11%
AAA	0%

ESG RATING HISTORY

A

Apr-18

ESG SCORE CARD*

	WEIGHT	SCORE	QUARTILE
Environment	64.0%	5.6	
Toxic Emissions & Waste	20.0%	3.6	●●●
Carbon Emissions	16.0%	10.0	●●●●
Water Stress	16.0%	4.9	●●●●
Opportunities in Clean Tech	12.0%	3.9	●●●
Social	20.0%	0.2	
Chemical Safety	20.0%	0.2	●
Governance	16.0%	7.2	
Corporate Governance	16.0%	7.2	●●●●
Overall Score			
Weighted-Average Key Issue Score		4.8	
Industry Relative Score		5.6	

RATING COMMENT

RATING DATE: April 19, 2018

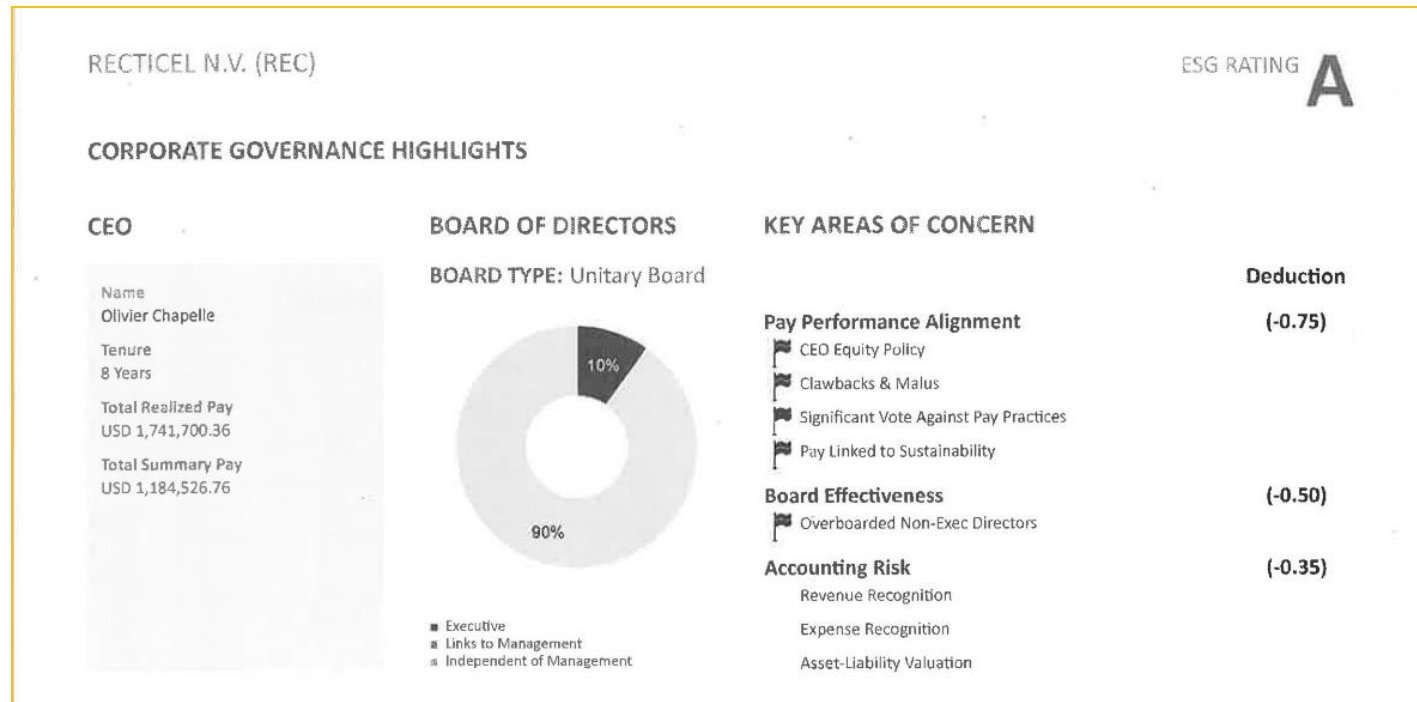
We initiate coverage of Recticel at 'A'.

Recticel produces polyurethane foams for bedding, insulation, automotives etc. The company has better governance practices related to ownership and control than its peers. Its board has an independent majority, which aids critical governance oversight. It also has fairly strong practices to reduce its carbon emissions. It has set a target of reducing its carbon footprint by 25% in 2020 and 40% in 2030 and is utilizing CO2 in its flexible foam applications. However, we note that Recticel faces potential costs associated with discharges and waste, chemical regulatory risks and potential reformulation costs as its practices to mitigate toxic emissions and ensure chemical safety lag its peers.

Analyst: Priyanka Dhingra

KEY RISKS

MSCI positive on Governance as well



in %	Executive & Non-Executive / Independent	Male/Female
Board of Directors	40/60	70/30
Audit Committee	25/75	75/25
Remuneration & Nomination Committee	25/75	100/0

Thank you for your attention!

Q&A

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Financial calendar

Annual results 2019	28.02.2020 (at 07:00 AM CET)
First quarter 2020 trading update	29.04.2020 (at 07:00 AM CET)
Annual General Meeting	28.05.2020 (at 10:00 AM CET)
First half-year 2020 results	30.08.2020 (at 07:00 AM CET)
Third quarter 2020 trading update	30.10.2020 (at 07:00 AM CET)

Uncertainty risks concerning the forecasts made

This report contains forecasts which entail risks and uncertainties, including with regard to statements concerning plans, objectives, expectations and/or intentions of the Recticel Group and its subsidiaries. Readers are informed that such forecasts entail known and unknown risks and/or may be subject to considerable business, macroeconomic and competition uncertainties and unforeseen circumstances which largely lie outside the control of the Recticel Group. Should one or more of these risks, uncertainties or unforeseen or unexpected circumstances arise or if the underlying assumptions were to prove to be incorrect, the final financial results of the Group may possibly differ significantly from the assumed, expected, estimated or extrapolated results. Consequently, neither Recticel nor any other person assumes any responsibility for the accuracy of these forecasts.

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