

# Full year & Q4 2018

## Financial Results



Reshape  
tomorrow

## Forward-looking statement

The statements on the future in this presentation, including expected sales and earnings, are associated with risks and uncertainties and may be affected by factors influencing the activities of the Group, e.g. the global economic environment, including interest and exchange rate developments, the raw material situation, production and distribution-related issues, breach of contract or unexpected termination of contract, price reductions due to market-driven price reductions, market acceptance of new products, launches of competitive products and other unforeseen factors.

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# Highlights 2018

Sales of

**EUR 2,671 million**

up 12.5% in reported figures

Sales increase in local currencies

**14.7% ↑**

incl. 2.7 percentage points from  
Flumroc

EBIT of

**EUR 341 million**

up 33% over last year

EBIT margin of

**12.8%**

up 2.0 percentage points

Free cash flow of

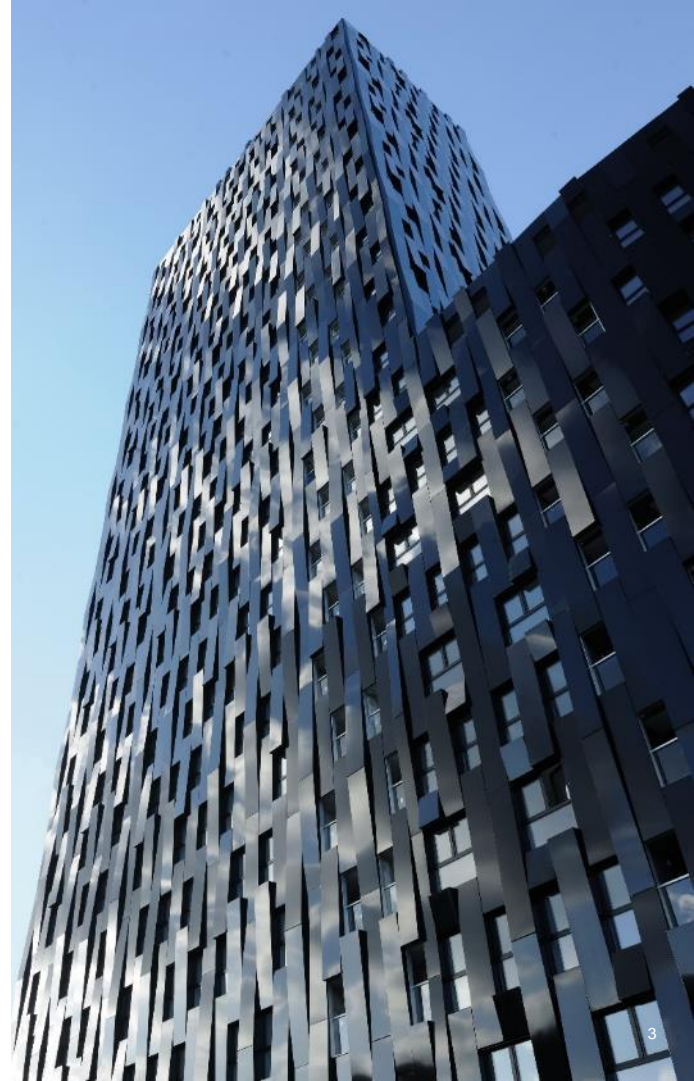
**EUR 196 million**

EUR 29 million higher than last year

Net profit

**EUR 265 million**

improvement of EUR 51 million





## Highlights Q4

Sales of

**EUR 709 million**

up 10.3% in reported figures

Sales increase in local currencies

**11.1% ↑**

incl. 1.1 percentage points from Flumroc

EBIT of

**EUR 83 million**

up 15% over last year

EBIT margin of

**11.7%**

up 0.5 percentage points

Free cash flow of

**EUR 58 million**

improvement of EUR 32 million

Net profit

**EUR 66 million**

increase of EUR 12 million, when excluding prior years gain on revaluation of shares in Flumroc



# 2018 sales growth of 14.7%

**Sales** grew 14.7% in local currencies including Flumroc, and reached EUR 2,671 million.

Sales increased 12.5% in reported figures with a negative currency effect of 2.2 percentage points.

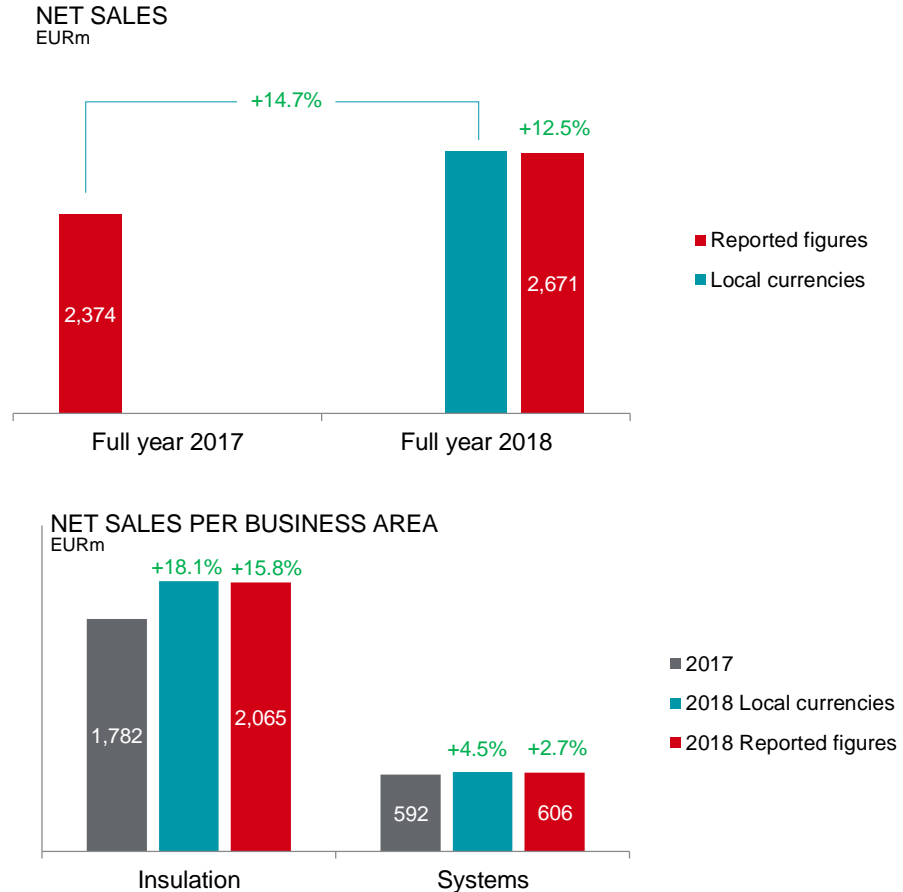
Flumroc contributed with 2.7 percentage points to the growth.

The increase in sales has been driven by good market conditions and an increased demand for non-combustible insulation products.

**Insulation** up 18.1% in local currencies, and 15.8% in reported figures, owing mainly to the building insulation segment across Europe and North America.

**Systems** sales up 4.5% in local currencies and 2.7% in reported figures.

- Satisfactory growth
- Negatively impacted by Grodan in North America as well as the discontinued metal ceiling business in Asia.

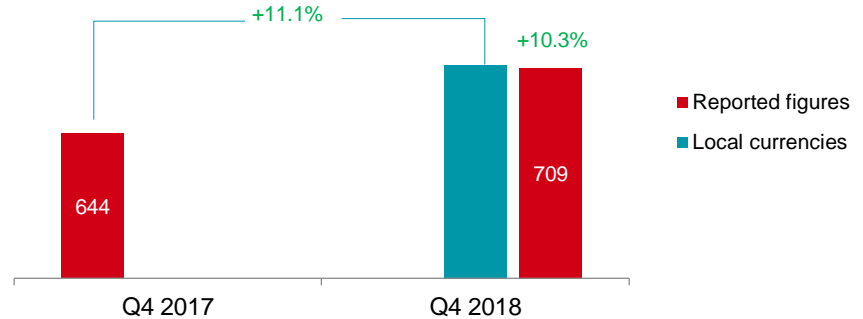


## Q4 sales growth of 11.1%

**Sales** grew 11.1% in local currencies including 1.1 percentage point from Flumroc.

Sales increased 10.3% in reported figures with a negative currency effect of 0.8 percentage point.

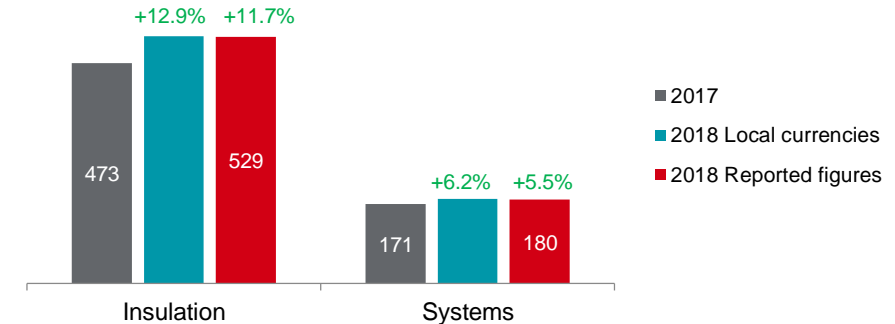
NET SALES  
EURm



**Insulation** up 12.9% in local currencies, and 11.7% in reported figures. Excluding Flumroc, Insulation was up 11.6% in local currencies.

**Systems** sales up 6.2% in local currencies and 5.5% in reported figures. Highest quarterly growth in 2018. Grodan's sales development in North America continued to be low.

NET SALES PER BUSINESS AREA  
EURm



# Regional developments Q4

## Growth in local currencies

### Western Europe

9.3% ↑

9.4% incl. FX effect

### CEE incl. Russia

21.6% ↑

17.0% incl. FX effect

### North America, Asia and others

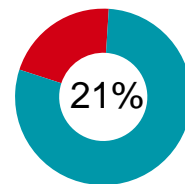
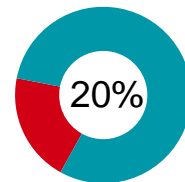
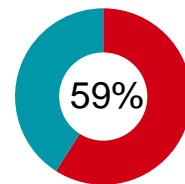
7.1% ↑

6.8% incl. FX effect

## Key developments

- Growth in most key markets
  - Especially UK, Norway, Sweden and the Netherlands performing well
  - UK approves ban on combustibles on high-rise residential buildings
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- Good market development across region
  - Negative currency effect of 4.6 percentage points, mainly driven by the Russian rouble
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- Strong growth in the building insulation segment in U.S. and Canada, in China and most of South East Asia
  - Slow Q4 for Technical Insulation and Grodan in North America

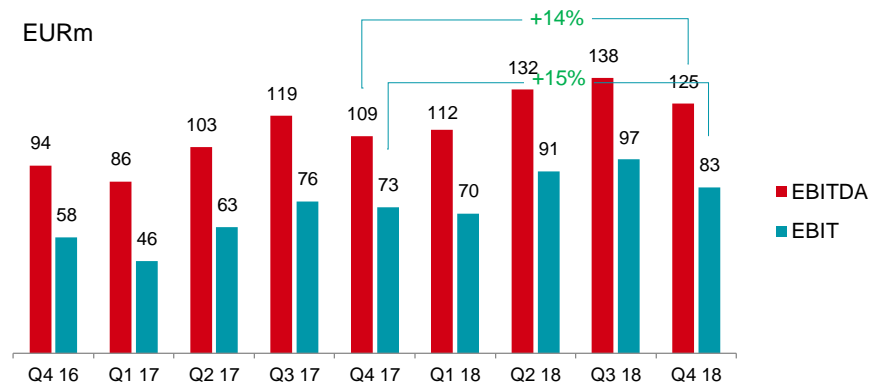
## Share of Sales



# Profitability

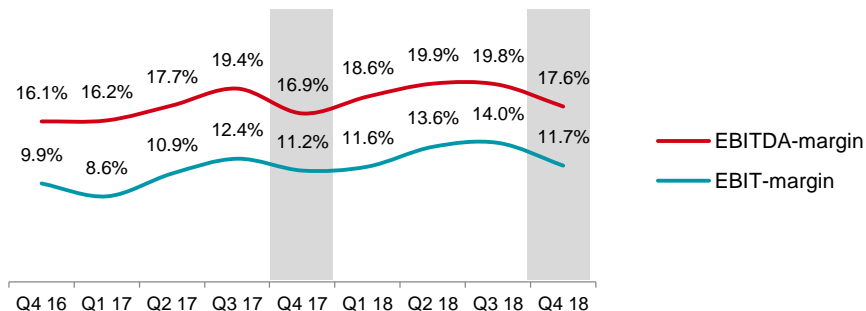
## EBITDA up 14% to EUR 125 million in Q4 2018

- Q4 EBITDA margin of 17.6%, increased mainly due to higher sales prices.
- Together with good factory performance, these factors offset the pressure from input costs, a negative impact from factory mix
- In Q4, delivery costs and indirect costs, including longer transportation distances increased by 1.7 percentage points of net sales.



## EBIT up 15%, reaching EUR 83 million in Q4 2018

- Q4 EBIT margin reaches 11.7%, an increase of 0.5 percentage points.
- EBIT full-year 2018 increased 33%, to EUR 341 million, equal to 12.8% EBIT margin.

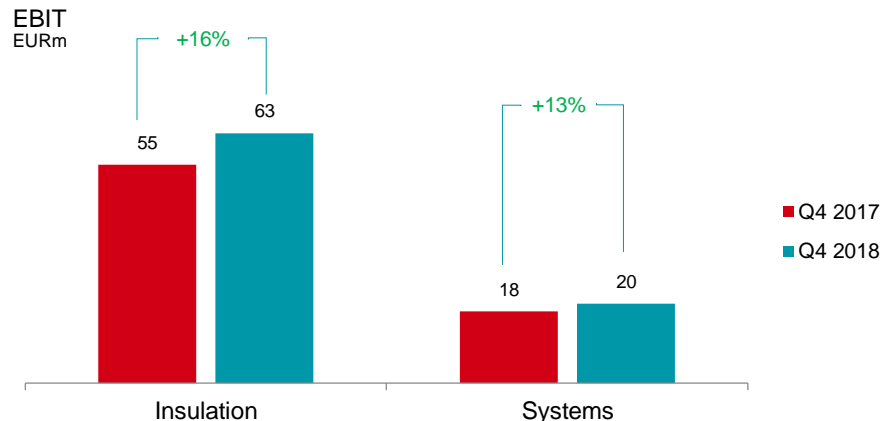




## Another good quarter for Insulation

**Insulation** EBIT increased 16% to EUR 63 million in Q4 2018

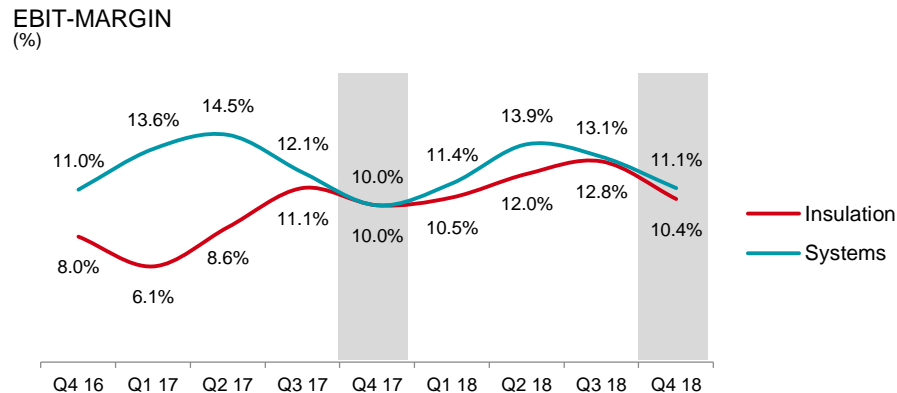
- EBIT margin improved 0.4 percentage points to 10.4%.
- Most markets contributed positively.



## Better Systems performance

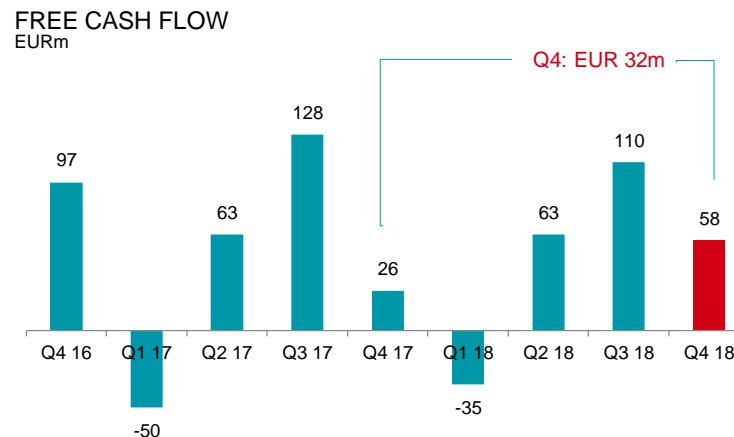
**Systems** EBIT increased 13% to EUR 20 million in Q4 2018

- EBIT margin 11.1%, which is 1.1 percentage points higher than the same period in 2017.
- Grodan still challenged in North America.



# Net cash position up significantly

- **Cash flow from operations before financial items and tax** was EUR 152 million in Q4 2018, which is EUR 24 million higher than same period last year, mainly from higher EBIT.
- NWC decreased to 7.4% (2017: 8.0%) of net sales, increasing from EUR 190 million end of 2017 to EUR 198 million end of 2018.
- **Investments** totaled EUR 222 million for the full year of 2018 (2017: EUR 130 million), excluding acquisitions and proceeds from sale of listed equities
- **Free cash flow** in full year 2018 reached EUR 196 million, while it reached EUR 58 million in Q4 2018, some EUR 32 million higher than last year.
- ROCKWOOL is **net debt free** with a net cash position end of 2018 of EUR 375 million, an improvement of EUR 134 million.

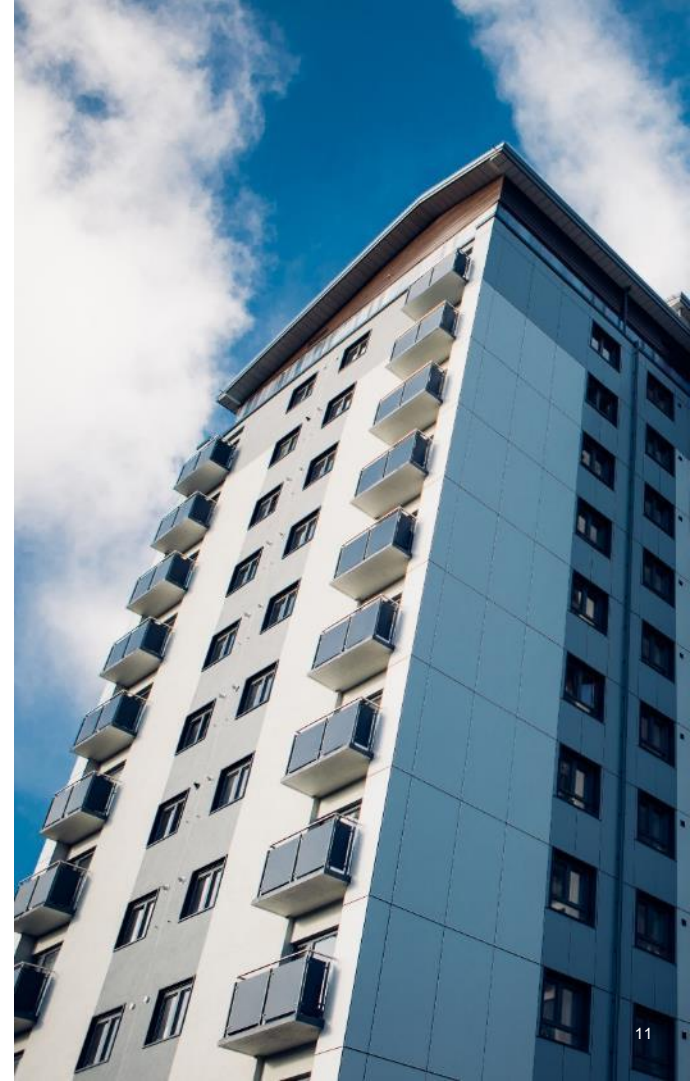
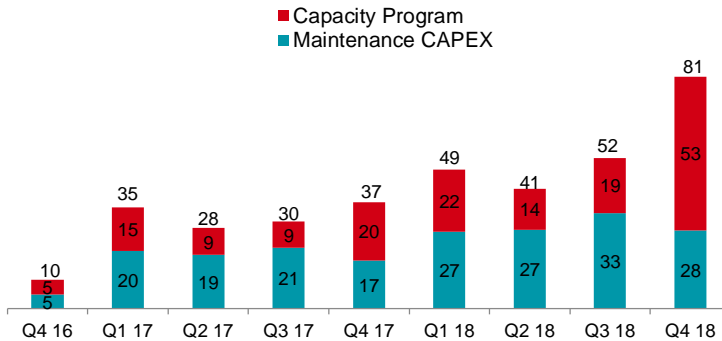


# Investment activities

**Investments totaled** EUR 222 million in 2018 (2017: EUR 130 million) excluding acquisitions and proceeds from sale of listed equities.

- Capacity investment amounted to EUR 108 million, mainly from the factory project in West Virginia, the new factory in Romania and an upgrade of one of the factories in Poland.
- Investments partly offset by sale of listed securities in Flumroc amounting to EUR 18 million (not included in the graph).

INVESTMENTS  
EURm





# Outlook for 2019



# Outlook 2019

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## 1. Sales

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**Growth in net sales** is expected to be 4-8% in local currencies.

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## 2. EBIT

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**EBIT margin** is expected to reach around 12%.

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## 3. INVESTMENT

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**Investment level** excluding acquisitions is expected to be around EUR 330 million.





# Trends over the business cycle - Revenue

## Revenue potential

- There are several macro trends that support a long-term above average market growth for the stone wool market.
- We are conscious of our exposure to a downturn in the business cycle.
- We estimate that just under half of the Group's revenue is less affected by a general slow-down in the construction market. In the last 30 years, ROCKWOOL has only recorded negative growth in four years.

Sales of our stone wool products should grow on average at least one percentage point faster in our core markets than the market overall.



# Trends over the business cycle - Earnings

## Earnings potential

- Leverage on growth based on the current high output and utilization level will be constrained until we have increased capacity in high-demand areas.
- We want to continue invest in further product innovation; new technology including automation; new digital solutions and our brand.
- The average EBIT margin have come close to 10% in the last five years.
- Efforts on operational excellence, digitalisation including automation and shorter shipping distances, will improve profitability over the next business cycle.



# Trends over the business cycle - Investments

## Investments

- New manufacturing lines, whether greenfield or expansions of existing sites, bring costs for start-up and protective capacity, which affect the earnings in the mid-term.
- The last 10 years' average investment ratio has been around 11%, while for the last three years the investment ratio has been lower at around six percent on average.
- Directionally, including current plans and already announced investments, over the next couple of years we see a higher level of capital expenditure to catch up on capacity.
- We have the ambition to keep return on invested capital (ROIC) above 15% over the business cycle.



# Key figures for the Group

EURm	Q4 2018	Q4 2017	YoY (%)	FY 2018	FY 2017	YoY (%)
<b>Income statement</b>						
Net Sales	709	644	10.3%	2,671	2,374	12.5%
EBITDA	125	109	14.3%	507	417	21.5%
EBIT	83	73	15.0%	341	258	32.5%
Profit before tax	85	93	-8.6%	335	275	22.0%
Profit for the period	66	79	-16.4%	265	214	24.2%
<b>Balance sheet</b>						
Total Assets				2,431	2,164	12.3%
Equity				1,877	1,684	11.4%
Equity ratio				77.2%	77.5%	-0.3pp





# Questions?



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