



## JOTUL HOLDINGS SA



JOTUL HOLDINGS SA | INTERIM REPORT Q3 | 30. SEPTEMBER 2020

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Jotul Holdings SA  
Financial report  
for the period from 1 January to 30 September 2020

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## Management comments

### Business

The Jotul Group (representing Jotul Holdings SA together with its subsidiaries) is one of the three largest suppliers of fireplaces in Europe and a significant player in North America. The company, with a history dating back to 1853 through its legacy as one of Norway's oldest companies, distributes stand-alone stoves, inserts, frames and accessories for fireplaces. The Group's main brands are Jøtul and Scan. The Jøtul fireplaces are manufactured from cast iron and appear timeless and robust, with Norwegian origins. The Scan fireplaces are manufactured from plated steel and are characterized by modern Danish design. The head office is based in Luxembourg. Manufacturing takes place through own production in Norway, Poland, France and the USA, in addition to a range of bought-in products. The products are sold through one of the most wide-reaching global networks in the industry, consisting of own sales companies and distributors. The products reach the end consumers through specialty shops, and in Norway also through building materials retail chains.

### Q3 in brief

YTD Q3 2020, the Jotul Group reached a consolidated profit of MNOK -123 (Q3 2019: MNOK -46.3). The operating result totaled MNOK -72.9. YTD Q3 2020 (Q3 2019: MNOK 0). The 2020 total comprehensive loss for YTD Q3 was MNOK -105.6 (Q3 2019: MNOK -47.9).

Sales for the period declined by 7.9% to MNOK 583.7 YTD Q3 2020 (Q3 2019 MNOK 633.8), mainly driven from output capacity from the new production facility in Poland and impact of COVID-19 in the first 6 months of the financial year. The impact of the Corona pandemic is less than initially anticipated and the third quarters showed a strong recovery in terms of order intake, up from MNOK 234 in Q3 2019 to MNOK 299 in Q3 2020. Total order book as per Q3 2020 was MNOK 138 (Q3 2019: MNOK 55). The decline in sales from the European markets is related to production capacity at the new Polish plant. The decline in sales from the North America market is related the furlough scheme implemented in May/June and the stronger than expected demand in the market to meet production output.

In several of our main markets the pandemic initially impacted demand and productions as well as lack of delivery from several suppliers, due to COVID-19 close down. However, we have seen as strong re-bounce in the markets, particularly in Q3, both the Scandinavian and European markets, but also in the North American market.

In light of the outbreak, we have implemented comprehensive mitigation actions. In addition to furloughs for employees affected by reduced activity, we have strengthened our management processes to monitor our working capital. We have currently no furlough schemes implemented in any of the operations. Where there are government restrictions in place for office work, home office has been made available.

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The plant in Poland is currently operating below anticipated output capacity, which is related to the planned knowledge transfer being subdued to the COVID-19 outbreak as well as other operational related issues. It is essential to return on the expected production plans to meet the target for year-end. We estimate a landing on total sales or around MNOK 900, a decline of 6% compared to 2019.

EBITDA (Earnings before interests, taxes, depreciation, and amortizations: Operating Result less Depreciations) was MNOK -10.6 in the first nine months of 2020 (Q3 2019: MNOK 61.8). This contains effect of non-recurring items of MNOK 38.1 YTD Q3 (Q3 2019: MNOK 29.8). Adjusted EBITDA (net of non-recurring items) was MNOK 27.5 YTD Q3 2020 (Q3 2019: MNOK 91.6).

In Q3 of 2020 non-recurring cost of MNOK 8.1 are primarily related to the relocation project and transfer of production and assembly from Norway and Denmark to the new operations in Poland.

The Group's capital investments in Q3 2020 amounted to MNOK 12.3 compared to MNOK 17.4 in Q3 2019. The increase is related to investments in the new factory in Poland.

Jotul France acquired Aico France end of June 2019, and this entity had its first full-quarter effect on group financials in Q3 2019. The company contributed with MNOK 9.4 to net revenue and MNOK 1.0 to EBITDA in the first nine months of 2020.

As of Q3 2020, the Group had an average of 489 full-time employees (Q3 2019: an average of 538 full-time employees).

## Condensed consolidated statement of comprehensive income

(in NOK '000s)	1 January to 30 September 2020 (unaudited)	1 January to 30 September 2019 (unaudited)
Revenue	583,762	633,835
Other operating income	7,129	7,716
<b>Total operating income</b>	<b>590,891</b>	<b>641,551</b>
Raw materials and consumables	(173,550)	(280,950)
Changes in inventories of finished goods and work in progress	(68,385)	70,892
Employee benefits expense	(175,259)	(201,313)
Depreciation and amortisation	(62,373)	(61,861)
Impairment losses on financial assets	(617)	(509)
Other operating expense	(183,656)	(167,849)
<b>Total operating expenses</b>	<b>(663,840)</b>	<b>(641,590)</b>
<b>Operating result</b>	<b>(72,949)</b>	<b>(39)</b>
Finance income	30,472	798
Finance expense	(75,002)	(44,121)
<b>Net finance cost</b>	<b>(44,530)</b>	<b>(43,323)</b>
<b>Loss before income tax</b>	<b>(117,479)</b>	<b>(43,362)</b>
Income tax	(5,576)	(2,975)
<b>Net loss for the period</b>	<b>(123,055)</b>	<b>(46,337)</b>
<b>Other comprehensive income/(loss)</b> <i>Items that may be subsequently reclassified to profit or loss</i>		
Foreign exchange differences on translation of foreign operations	17,431	(1,550)
<b>Other comprehensive income/(loss) for the period net of tax</b>	<b>17,431</b>	<b>(1,550)</b>
<b>Total comprehensive loss for the period</b>	<b>(105,624)</b>	<b>(47,887)</b>
Operating result	(72,949)	(39)
Depreciation and amortization	62,373	61,861
<b>EBITDA</b>	<b>(10,576)</b>	<b>61,822</b>
Operating result	(72,949)	(39)
Depreciation and amortization	62,373	61,861
Non-recurring items	38,074	29,765
<b>Adjusted EBITDA</b>	<b>27,498</b>	<b>91,587</b>

## Condensed consolidated statement of financial position

(in NOK '000s)	30 September 2020 (unaudited)	31 December 2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	177,563	171,559
Intangible assets	110,992	110,959
Right-of-use assets	290,351	310,744
Derivative financial instrument	-	327
Other receivables	12,398	10,550
Deferred tax asset	1,403	1,335
<b>Total non-current assets</b>	<b>592,707</b>	<b>605,474</b>
<b>Current assets</b>		
Inventories	196,897	227,317
Derivative financial instrument	-	771
Trade and other receivables	119,259	73,813
Other receivables	900	2,961
Current income tax receivable	1,673	2,812
Cash and cash equivalents	10,432	56,681
<b>Total current assets</b>	<b>329,161</b>	<b>364,355</b>
<b>Total assets</b>	<b>921,868</b>	<b>969,829</b>

## Condensed consolidated statement of financial position (continued)

(in NOK '000s)	30 September 2020 (unaudited)	31 December 2019
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	4,060	600
Share premium	36,540	-
Foreign currency translation reserve	26,040	8,609
Retained earnings	(257,628)	(134,573)
<b>Total equity</b>	<b>(190,988)</b>	<b>(125,364)</b>
<b>Non-current liabilities</b>		
Senior secured bonds	326,095	340,000
Convertible preferred equity certificates ("CPECs")	177,321	177,321
Bank borrowings	35,011	-
Lease liabilities	349,333	353,830
Derivative financial instruments	-	258
Deferred tax liability	11,684	3,615
Long-term provisions	4,726	4,711
<b>Total non-current liabilities</b>	<b>904,170</b>	<b>879,735</b>
<b>Current liabilities</b>		
Senior secured bonds	5,646	5,099
Convertible preferred equity certificates ("CPECs")	1,234	1,234
Lease liabilities	47,968	48,576
Derivative financial instruments	2,768	1,606
Trade and other payables	147,955	146,254
Short-term provisions	-	10,883
Current income tax payable	3,115	1,806
<b>Total current liabilities</b>	<b>208,686</b>	<b>215,458</b>
<b>Total equity and liabilities</b>	<b>921,868</b>	<b>969,829</b>

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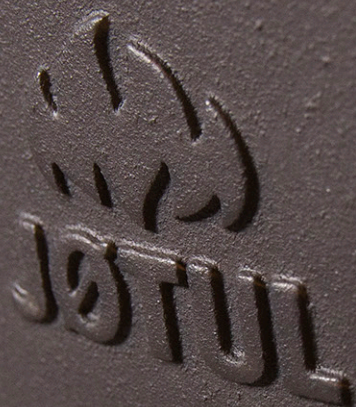
## Condensed consolidated statement of changes in equity

(in NOK '000s)	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total
<b>Balance as at 1 January 2020</b>	<b>600</b>	-	<b>8,609</b>	<b>(134,573)</b>	<b>(125,364)</b>
Loss for the period	-	-	-	(123,055)	(123,055)
Other comprehensive income for the period	-	-	17,431	-	17,431
<b>Total comprehensive loss for the period</b>		-	<b>17,431</b>	<b>(123,055)</b>	<b>(105,624)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Contributions to equity	3,460	36,540	-	-	40,000
	3,460	36,540	-	-	40,000
<b>Balance as at 30 September 2020 (unaudited)</b>	<b>4,060</b>	<b>36,540</b>	<b>26,040</b>	<b>(257,628)</b>	<b>(190,988)</b>
(in NOK '000s)	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total
<b>Balance as at 1 January 2019</b>	<b>600</b>	-	<b>7,517</b>	<b>(47,740)</b>	<b>(39,623)</b>
Loss for the period	-	-	-	(46,337)	(46,337)
Other comprehensive income for the period	-	-	(1,550)	-	(1,550)
Total comprehensive loss	-	-	(1,550)	(46,337)	(47,887)
<b>Balance as at 30 September 2019 (unaudited)</b>	<b>600</b>	-	<b>5,967</b>	<b>(94,077)</b>	<b>(87,510)</b>



## Condensed consolidated statement of cash flows

(in NOK '000s)	1 January to 30 September 2020 (unaudited)	1 January to 30 September 2019 (unaudited)
<b>Cash flows from operating activities</b>		
Net loss for the period	(123,055)	(46,337)
<i>Adjustments for:</i>		
Income tax recognised in profit or loss	5,576	2,975
Depreciation and amortization	62,373	61,861
Net finance income	44,530	43,323
Changes in operating working capital	(16,155)	(145,419)
Cash generated from operating activities	(26,731)	(83,597)
Interest paid	(30,555)	(32,091)
Interest received	334	785
Income tax paid	4,873	5,467
<b>Net cash flows from operating activities</b>	<b>(52,079)</b>	<b>(109,436)</b>
<b>Cash flows from investing activities</b>		
Acquisition through business combination, net of cash acquired	-	(993)
Purchase of property, plant and equipment and intangible assets	(42,643)	(44,415)
Other cash flows from investing activity	213	1,519
<b>Net cash flows used in investing activities</b>	<b>(42,430)</b>	<b>(43,889)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of bonds	-	85,337
Payment of transaction costs related to bonds issuance	-	(449)
Proceeds from borrowings	35,011	-
Proceeds from capital increase	40,000	-
Payment of principal portion of lease liability	(26,751)	(21,828)
<b>Net cash flows from financing activities</b>	<b>48,260</b>	<b>63,060</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(46,249)</b>	<b>(90,265)</b>
Cash and cash equivalents at the beginning of the period	56,681	117,811
<b>Cash and cash equivalents at the end of the period</b>	<b>10,432</b>	<b>27,546</b>



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