

Dürr Group confirming full-year guidance after upward trend in the third quarter

- Order intake substantially increased compared to the second quarter
- Solid EBIT performance, operating margin of 4.9%
- Service business rebounding
- Positive trend in cash flow sustained
- Total liquidity at a record high

Bietigheim-Bissingen, November 5, 2020 – The Dürr Group benefited from the improved business environment in the third quarter and is well on track towards achieving the full-year guidance that it issued in July. Compared with the weak second quarter, which had been impacted by the coronavirus pandemic, order intake rose by 28.2%, reflecting increasing demand in both automotive business and the wood-processing industry. Sales climbed by 5.5% over the second quarter. At 4.9% in the third quarter, the operating EBIT margin reached its highest figure in the year to date, underpinned by cost-cutting, rebounding service business and the solid execution of projects. Cash flow from operating activities continued its positive development, reaching € 81.8 million in the third quarter. “We are on track to reaching our full-year forecast as long as the impact of the pandemic on the economy does not worsen excessively again,” said Ralf W. Dieter, CEO of Dürr AG. As things currently stand, the Group expects the positive order trend to continue in the fourth quarter. However, operating earnings will probably be somewhat lower than in the third quarter as capacity utilization and margin quality are likely to decline as a result of the low order intake in the second quarter.

At € 826.3 million, order intake in the third quarter came close to the level recorded in the first quarter (€ 838.3 million) again. However, as demand collapsed in many countries during the first wave of coronavirus infections, order intake in the first nine months dropped by 19.2% to € 2,309.4 million. China was a positive exception with orders up 29.4% in the first nine months not least of all due to the strong demand for production technology for electric vehicles. Says

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Ralf W. Dieter: “The Chinese economy has rebounded quickly. Our customers have confidence in China’s sustained growth potential and are investing accordingly.”

Customer activity intensified in other markets as well in the third quarter. In Germany, a big-ticket contract was received from the automotive industry. As a result, order intake in the Paint and Final Assembly Systems division climbed by 9.1% over the third quarter of 2019. HOMAG’s business with the furniture industry has also recently picked up appreciably. Environmental technology business was relatively solid, with order intake declining only very moderately in the first nine months despite the coronavirus crisis.

In the third quarter, all divisions posted higher sales compared with the second quarter. Consequently, Group sales reached € 815.3 million, up from € 772.6 million in the previous quarter. As expected, the high-margin service business turned the corner following the substantial declines sustained in the spring as a result of the closure of many customers’ plants. In the first nine months, Group sales fell by 15.4% to € 2,430.5 million.

At € 31.6 million, EBIT was in distinctly positive territory in the first nine months of 2020 despite the substantial drop in sales. The Group posted the highest earnings contribution of € 25.0 million in the third quarter, driven by rebounding service business, solid project execution and the adjustment of costs to bring them into line with the lower sales. Among other things, the Dürr Group lowered its overhead costs by 14.3% in the third quarter. The EBIT margin for the first nine months came to 1.3%.

EBIT before extraordinary effects reached € 63.6 million in the first nine months, translating into an operating EBIT margin of 2.6%. An operating margin of 4.9% was recorded in the third quarter. The extraordinary effects of € -32.0 million in the first nine months were primarily composed of purchase price allocation effects and capacity adjustments. After tax, profit of € 15.8 million was achieved in the third quarter and € 12.8 million in the period from January to September.

Reflecting the consistently low net working capital, the cash flow from operating activities improved to € 187.7 million in the first nine months (9M 2019: € -61.3 million). At € 105.3 million, free cash flow was also good. Consequently, net financial debt contracted to € 64.3 million at the end of September (December 31, 2019: € 99.3 million). Total liquidity reached a new record of € 959.9 million.

Says CFO Dietmar Heinrich: “Thanks to effective cash management, we have further expanded our liquidity bolster and can navigate the crisis safely. By

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issuing a convertible bond, we have created further financial scope for strengthening our portfolio through attractive acquisitions even during the crisis." Proceeds of € 150 million accrued to the Group in October from the convertible bond, which has a coupon of 0.75%. Also in October, Danish mechanical engineering specialist System TM was acquired and will allow the HOMAG Group to expand its position in the growth area of solid-wood processing for construction elements.

Compared with the end of 2019, the Dürr Group's employee numbers dropped by around 300 to 16,181. The reductions were primarily concentrated in Europe as well as in North and South America.

Outlook

The Board of Management confirms the forecast for 2020 published in July subject to the provision that in the coming weeks the corona pandemic does not impact the economy more severely than recently. Order intake should reach the target corridor of € 3.1 to 3.4 billion assuming that the recent positive trend continues. Strong order intake in the final quarter is also necessary to ensure sufficient capacity utilization in the future. Sales are expected to reach € 3.2 to 3.4 billion.

As things currently stand, the target operating EBIT margin of 2.5 to 2.8 % is within striking distance. Extraordinary expenses of € 75 to 85 million have been budgeted for the year as a whole. The major part of this – between € 43 and 53 million – will be placed on the books in the fourth quarter. This primarily entails provisions in connection with the capacity adjustments announced in July in European automotive business. Even after extraordinary expenses, EBIT should be slightly positive for 2020 as a whole. Specifically, the Group anticipates an EBIT margin of 0 to 0.5%. Operating earnings are likely to be somewhat lower in the fourth quarter compared with the third quarter as capacity utilization and margin quality is expected to decline due to the low order intake in the second quarter.

The Dürr Group assumes that the adjustments in the European automotive business and other restructuring measures, some of which have already been completed, will yield savings of around € 60 million from 2021.

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Dürr Group						
€ m	9M 2020	9M 2019	Δ	Q3 2020	Q3 2019	Δ
Order intake	2,309.4	2,859.5	-19.2%	826.3	938.6	-12.0%
Orders on hand (Sep. 30)	2,449.8	2,590.3	-5.4%	2,449.8	2,590.3	-5.4%
Sales	2,430.5	2,874.1	-15.4%	815.3	993.7	-18.0%
Gross profit	459.7	626.0	-26.6%	156.7	211.9	-26.1%
Research and development costs	77.9	84.7	-8.0%	23.2	26.4	-12.1%
EBITDA (earnings before financial result, taxes, depreciation and amortization)	115.8	237.6	-51.3%	52.4	87.2	-39.9%
EBIT (earnings before financial result and taxes)	31.6	154.1	-79.5%	25.0	58.9	-57.5%
EBIT before extraordinary effects ¹	63.6	171.5	-62.9%	39.9	64.6	-38.3%
Earnings after tax	12.8	102.1	-87.5%	15.8	38.4	-58.8%
Gross margin (%)	18.9	21.8	-2,9 pp	19.2	21.3	-2,1 pp
EBIT margin (%)	1.3	5.4	-4,1 pp	3.1	5.9	-2,9 pp
EBIT margin (%) before extraordinary effects ¹	2.6	6.0	-3,4 pp	4.9	6.5	-1,6 pp
Cash flow from operating activities	187.7	-61.3	406.1%	81.8	51.6	-58.5%
Free cash flow	105.3	-158.1	166.6%	61.0	23.4	-160.8%
Capital spending (net of acquisitions)	54.1	76.8	-29.6%	16.8	29.3	-42.5%
Total assets (Sep. 30)	3,795.2	3,827.6	-0.8%	3,795.2	3,827.6	-0.8%
Equity (incl. non-controlling interests) (Sep. 30)	953.6	1,028.7	-7.3%	953.6	1,028.7	-7.3%
Equity ratio (Sep. 30) (%)	25.1	26.9	-1,8 pp	25.1	26.9	-1,8 pp
ROCE (annualized) (%)	4.1	15.3	-11,2 pp	9.7	17.5	-7,9 pp
Net financial status (Sep. 30)	-64.3	-301.5	78.7%	-64.3	-301.5	78.7%
Net working capital (Sep. 30)	425.6	648.8	-34.4%	425.6	648.8	-34.4%
Employees (Sep. 30)	16,181	16,534	-2.1%	16,181	16,534	-2.1%
Paint and Final Assembly Systems						
€ m	9M 2020	9M 2019 ²	Δ	Q3 2020	Q3 2019 ²	Δ
Order intake	797.0	966.5	-17.5%	306.8	281.2	9.1%
Sales	854.2	1,050.0	-18.6%	279.7	366.3	-23.6%
EBIT	24.7	50.5	-51.2%	10.5	19.9	-47.5%
Employees (Sep. 30)	4,423	4,370	1.2%	4,423	4,370	1.2%
Application Technology						
€ m	9M 2020	9M 2019	Δ	Q3 2020	Q3 2019	Δ
Order intake	312.8	456.1	-31.4%	119.1	151.1	-21.2%
Sales	325.9	427.2	-23.7%	107.3	155.5	-31.0%
EBIT	5.9	44.0	-86.7%	6.9	16.3	-57.4%
Employees (Sep. 30)	2,212	2,306	-4.1%	2,212	2,306	-4.1%

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Clean Technology Systems						
€ m	9M 2020	9M 2019	Δ	Q3 2020	Q3 2019	Δ
Order intake	309.0	334.1	-7.5%	93.1	126.0	-26.1%
Sales	277.7	271.9	2.1%	99.6	91.6	8.8%
EBIT	5.5	4.4	25.6%	6.6	3.7	75.9%
Employees (Sep. 30)	1,336	1,425	-6.2%	1,336	1,425	-6.2%
Measuring and Process Systems						
€ m	9M 2020	9M 2019 ²	Δ	Q3 2020	Q3 2019 ²	Δ
Order intake	127.6	195.6	-34.8%	37.6	63.8	-41.0%
Sales	139.2	168.2	-17.2%	46.7	60.2	-22.4%
EBIT	-5.4	13.5	-139.6%	-0.7	6.7	-110.9%
Employees (Sep. 30)	1,450	1,550	-6.5%	1,450	1,550	-6.5%
Woodworking Machinery and Systems						
€ m	9M 2020	9M 2019	Δ	Q3 2020	Q3 2019	Δ
Order intake	762.9	907.3	-15.9%	269.7	316.5	-14.8%
Sales	833.4	956.8	-12.9%	281.9	320.1	-11.9%
EBIT	8.4	52.0	-83.8%	4.9	17.0	-71.0%
Employees (Sep. 30)	6,482	6,615	-2.0%	6,482	6,615	-2.0%

¹ Extraordinary effects 9M 2020: € -32.0 million (including purchase price allocation effects of € -13.6 million), 9M 2019: € -17.4 million

² Testing technology, assembly products and automotive filling technology were transferred from Measuring and Process Systems to Paint and Final Assembly Systems effective January 1, 2020. The figures for 2019 have been adjusted accordingly and therefore differ from the figures originally disclosed.

Images for this press release can be found [here](#).

The Dürr Group is one of the world's leading mechanical and plant engineering firms with extensive expertise in automation and digitalization/Industry 4.0. Its products, systems and services enable highly efficient manufacturing processes in different industries. The Dürr Group supplies sectors like the automotive industry, mechanical engineering, chemical, pharmaceutical and woodworking industries. It generated sales of € 3.92 billion in 2019. The company has around 16,200 employees and 112 business locations in 33 countries. The Group operates in the market with the brands Dürr, Schenck and HOMAG and with five divisions:

- **Paint and Final Assembly Systems:** paint shops as well as final assembly, testing and filling technology for the automotive industry
- **Application Technology:** robot technologies for the automated application of paint, sealants and adhesives
- **Clean Technology Systems:** air pollution control, noise abatement systems and coating systems for battery electrodes

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- **Measuring and Process Systems:** balancing equipment and diagnostic technology
- **Woodworking Machinery and Systems:** machinery and equipment for the woodworking industry

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