



FINANCIAL REPORT Q4 2020



JOTUL HOLDINGS S.A | 31. DECEMBER 2020

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Jotul Holdings SA
Financial report
for the period from 1 January to 31 December 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.

Q4 in brief

YTD Q4 2020, the Jotul Group reached a consolidated profit of MNOK -128.9 (Q4 2019: MNOK -86.8). The operating result totaled MNOK -66.7 in YTD Q4 2020 (Q4 2019: MNOK 27.3). The 2020 total comprehensive loss for YTD Q4 was MNOK -127.5 (Q4 2019: MNOK -85.7).

Sales for the period declined by 6.1% to MNOK 905.5 YTD Q4 2020 (Q4 2019 MNOK 961,1), which is less than initially anticipated at the outbreak of the COVID-19 pandemic. The fourth quarter continued to show a strong recovery in order intake, up from MNOK 269 in Q4 2019 to MNOK 305 in Q4 2020. Total order book as per Q4 2020 was MNOK 122 (Q4 2019 MNOK 29). In addition to the strong recovery in the market during the second half of 2020, the large backlog as per Q4 2020 is also related to the limited output capacity at the new production facility in Poland during the pandemic.

In Poland, the pandemic has severely hit the country, and we have seen a shortage of staff and very high absence rate as a consequence. This has been compensated with a temporary hiring effort, which in turn has had an impact on production efficiency and output. Travel restrictions has also made it very difficult to assist the new plant in Poland from other units in the Group and third-party equipment suppliers. Though, towards the end of Q4 we have seen clear improvements in terms of production output, close to reach planned daily capacity. The very low efficiency and higher scrap rates has resulted in lower margins during the quarter as well as for 2020. However, despite clear improvements in production out, it has not been able to compensate for the strong order take in the last quarters. Additionally, we have also seen the North American plant running below production capacity, directly related to the COVID-19 pandemic and particularly due to lack of staff and delivery issues from suppliers.

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After the close down in the first COVID-19 wave from mid-March, the Norwegian plant has been operating close to normal since June.

Towards end of Q4 for we have seen a second wave of COVID-19 outbreak, which has led to a closure in December in some of our main European markets, Germany, France. However, we foresee that the solid market trend will continue in 2021, mainly driven by the surge in home improvements and DIY market segments, high electrical prices and a colder winter than the past years.

EBITDA (Earnings before interests, taxes, depreciation, and amortizations: Operating Result less Depreciations) was MNOK 17.1 YTD 2020 (Q4 2019: MNOK 57.3). This contains effect of non-recurring items of MNOK 63.9 YTD Q4 (Q4 2019: MNOK 79.1). Adjusted EBITDA (net of non-recurring items) was MNOK 81 YTD Q4 2020 (Q4 2019: MNOK 136.3).

In Q4 2020 non-recurring cost of MNOK 27,9 are primarily related to the transfer of production and assembly, from Norway and Denmark, and the stabilisation of new operations in Poland following the challenges during the pandemic.

The Group's capital investments in Q4 2020 amounted to MNOK 1.9 compared to MNOK 62 in Q4 2019. The investments in Q4 2019 are mainly related to the new factory in Poland.

YTD Q4, the net cash flow from operating activities was MNOK 2.4 compared to MNOK -30.7 in Q4 2019. The net cash-flow in 2020 was at MNOK 17.4 (2019 MNOK -57.3). Cash and cash equivalent as per Q4 was MNOK 70.3.

Available Revolving Credit Facility (less ancillary facilities of MNOK 21) as per Q4 was MNOK 84 giving total available liquidity of MNOK 154.3 by end of 2020.

The Polish plant has entered into a manufacturing agreement with the Italian company Aico for pellets stoves. Besides producing for Aico, this also allows Jotul Group to extend our offering of own produced pellets stoves in the European market.

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 66.7 to net revenue and MNOK 1.5 to EBITDA in 2020.

As of Q4 2020, the Group had an average of 516 full-time employees (Q4 2019: an average of 538 full-time employees).

Condensed consolidated statement of comprehensive income

(in NOK '000s)	1 January to 31 December 2020 (unaudited)	1 January to 31 December 2019
Revenue	905,477	961,119
Other operating income	9,754	12,705
Total operating income	915,231	973,824
Raw materials and consumables	(289,177)	(371,117)
Changes in inventories of finished goods and work in progress	(78,677)	23,801
Employee benefits expense	(252,540)	(284,759)
Depreciation and amortisation	(83,836)	(84,642)
Impairment losses on financial assets	394	(188)
Other operating expense	(278,122)	(284,266)
Total operating expenses	(981,958)	(1,001,171)
Operating result	(66,727)	(27,347)
Finance income	34,308	5,233
Finance expense	(85,935)	(63,372)
Net finance cost	(51,627)	(58,139)
Loss before income tax	(118,354)	(85,486)
Income tax	(10,497)	(1,347)
Net loss for the year	(128,851)	(86,833)
Other comprehensive income/(loss)		
<i>Items that may be subsequently reclassified to profit or loss</i>	-	-
Foreign exchange differences on translation of foreign operations	1,348	1,092
Other comprehensive income/(loss) for the year net of tax	1,348	1,092
Total comprehensive loss for the year	(127,503)	(85,741)
Operating result	(66,727)	(27,347)
Depreciation and amortization	83,836	84,642
EBITDA	17,109	57,295
Operating result	(66,727)	(27,347)
Depreciation and amortization	83,836	84,642
Non-recurring items	63,873	79,049
Adjusted EBITDA	80,982	136,344

Condensed consolidated statement of financial position

(in NOK '000s)	31 December 2020 (unaudited)	31 December 2019 restated*
ASSETS		
Non-current assets		
Property, plant and equipment	131,581	121,500
Intangible assets	139,178	161,018
Right-of-use assets	281,086	310,744
Derivative financial instrument	-	327
Other receivables	10,831	10,550
Deferred tax asset	1,439	1,335
Total non-current assets	564,115	605,474
Current assets		
Inventories	199,369	227,317
Derivative financial instrument	311	771
Trade and other receivables	101,997	73,813
Other receivables	900	2,961
Current income tax receivable	2,844	2,812
Cash and cash equivalents	70,295	56,681
Total current assets	375,716	364,355
Total assets	939,831	969,829

*amount of NOK 50,059 thousand has been reclassified from Property, plant and equipment to Intangible assets as of 31 December 2019. The reclassification has no impact on result or equity of the Group.

Condensed consolidated statement of financial position (continued)

(in NOK '000s)	31 December 2020 (unaudited)	31 December 2019 restated
EQUITY AND LIABILITIES		
Equity		
Share capital	4,060	600
Share premium	36,540	-
Foreign currency translation reserve	9,957	8,609
Retained earnings	(263,424)	(134,573)
Total equity	(212,867)	(125,364)
Non-current liabilities		
Senior secured bonds	333,759	340,000
Convertible preferred equity certificates ("CPECs")	177,321	177,321
Lease liabilities	331,469	353,830
Borrowings	33,092	-
Derivative financial instruments	-	258
Deferred tax liability	10,309	3,615
Long-term provisions	5,092	4,711
Total non-current liabilities	891,042	879,735
Current liabilities		
Senior secured bonds	5,891	5,099
Convertible preferred equity certificates ("CPECs")	1,234	1,234
Lease liabilities	47,898	48,576
Borrowings	3,178	-
Derivative financial instruments	358	1,606
Trade and other payables	200,070	146,254
Short-term provisions	-	10,883
Current income tax payable	3,027	1,806
Total current liabilities	261,656	215,458
Total equity and liabilities	939,831	969,829

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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
Balance as at 1 January 2019	600		7,517	(47,740)	(39,623)
Loss for the year	-	-	-	(86,833)	(86,833)
Other comprehensive income for the year	-	-	1,092	-	1,092
Total comprehensive loss	-	-	1,092	86,833	85,741
Balance as at 31 December 2019	600	-	8,609	(134,573)	(125,364)
Transactions with owners in their capacity as owners:					
Contributions to equity	3,460	36,540	-	-	40,000
Total transactions with owners	3,460	36,540	-	-	40,000
Loss for the year	-	-	-	(128,851)	(128,851)
Other comprehensive income for the year	-	-	1,348	-	1,348
Total comprehensive loss	-	-	1,348	(128,851)	(127,503)
Balance as at 31 December 2020	4,060	36,540	9,957	(263,424)	(212,867)

Condensed consolidated statement of cash flows

(in NOK '000s)	2020 (unaudited)	2019
Cash flows from operating activities		
Net loss for the year	(128,851)	(86,833)
<i>Adjustments for:</i>		
Income tax recognised in profit or loss	10,497	1,347
Depreciation and amortization	83,836	84,642
Net (gain)/loss on sale of non-current assets	(3,600)	(2,512)
Finance income	(34,308)	(5,233)
Finance expense*	85,936*	63,372
Changes in operating working capital	26,376	(37,858)
Cash generated from operating activities	39,886	16,925
Interest paid	(35,312)	(47,112)
Interest received	522	1,213
Income tax paid	(2,718)	(1,756)
Net cash flows from operating activities	2,378	(30,730)
Cash flows from investing activities		
Acquisition through business combination, net of cash acquired	-	(993)
Net cash flows from acquisition and sale of fixed assets	(26,843)	(79,422)
Repayment of loan receivable	450	900
Net cash flows used in investing activities	(26,393)	(79,515)
Cash flows from financing activities		
Proceeds from issuance of bonds	-	85,337
Payment of transaction costs related to bonds issuance	-	(449)
Proceeds from capital increase	40,000	-
Proceeds from borrowings	36,270	-
Payment of principal portion of lease liability	(34,905)	(31,933)
Net cash flows from financing activities	41,365	52,955
Net increase/(decrease) in cash and cash equivalents	17,350	(57,290)
Cash and cash equivalents at the beginning of the year	56,681	117,811
Exchange gains on cash and cash equivalents	(3,736)	(3,840)
Cash and cash equivalents at the end of the year	70,295	56,681

*Finance expense for 2020 contain interest expenses that were converted into "payment-in-kind" bonds of NOK 26,769 thousand.



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