



Press Release

Gdańsk, 1 July 2019

**MERCOR IN FINANCIAL YEAR 2018/19:
FOURTH YEAR IN A ROW OF DOUBLE-DIGIT SALES GROWTH,
IMPROVED MARGINS**

The MERCOR S.A. Group (the “Group” or the “MERCOR Group”), one of the leaders of the European market for passive fire protection systems, has generated double-digit sales growth for the fourth year in a row. In financial year 2018/2019 sales revenue grew by 16% y/y (to PLN 370.9 million) and net profit grew by 30% y/y (to PLN 15.3 million). During the period, the value of the Group’s orders grew by 14%, to PLN 378 million.

In the past year, profit at the level of EBITDA and EBIT rose by 28% and 36% y/y, respectively. Along with growth in the scale of its business, the Group achieved improved margins at all levels.

In the 4th quarter of 2018/19 (1 January – 31 March 2019), typically a weaker season, the Group generated a 34% increase in sales revenue (to PLN 92.5 million) and, much like a year before, a loss resulting mainly from the annual revaluation of trading assets. The revaluation write-downs in value of receivables and stocks concerned the Russian company Mercor-Proof as well as MERCOR S.A., and amounted to a total of PLN 2.6 million.

In FY 2018/19 the Group earmarked about PLN 12 million for capital expenditures, and a combined amount over the last three years of about PLN 50 million. These funds were used to optimize production and development of new products.

The process of reviewing strategic options, begun in August 2018 (Q2 2018/19) and completed in May 2019, indicated to the Group the possibility of support for growth by obtaining a financial investor and conducting an issue of shares directed to that investor. The management board has made an attempt to realize this scenario. Growth in sales of the innovative fire protection board system mcr Silboard, which could potentially be supported with proceeds from the issue, is a strategic direction for further expansion of the Group.

The Group increased the scale of its operations both in Poland (+32%, to PLN 202.0 million) and abroad (+2%, to PLN 168.9 million). All three of the Group’s largest current product divisions—smoke exhausting, fire ventilation, and construction protections—generated increases in revenue year-on-year.

In the geographical breakdown, the Group’s foreign sales grew significantly on the largest markets other than Russia.

- In Spain, which is currently a key foreign market, revenue increased by 28% y/y, to PLN 42.0 million.
- Czechia and Slovakia, whose importance in the Group's total sales is growing year by year, generated nearly 20% growth (to PLN 31.1 million).
- Hungary recorded growth of 55%, to PLN 26.3 million.
- In Russia, which still carries risk, sales fell by more than 26%, mainly as a result of the impact of the political situation on the number of development projects and partially from devaluation of the rouble. At the same time, Mercor-Proof, which operates on the Russian market, won many contracts.
- In Romania, the Group recorded similar sales y/y. In Ukraine, which does not hold a large share in the sales of the Mercor Group, elements are produced for other factories, which contributes to increased cost-effectiveness of the entire organization.

The Group's margins grew in FY 2018/19 at all levels, by volume and percentage-wise. The gross margin increased by 1.4 pp (to 25.44%, from 24.04% a year before), EBITDA grew by 0.86 pp (from 8.61% to 9.47%), EBIT by 0.98 pp (from 5.75% to 6.73%), and the net margin by 0.43 pp (from 3.68% to 4.11%).

FINANCIAL RESULTS FOR FY 2018/19:

PLN '000	2018/19	2017/18	Change%	4Q 2018/19	4Q 2017/18	Change%
Sales revenue	370 919	318 467	+16,47%	92 544	69 117	+33,89%
<i>Foreign sales</i>	<i>168 889</i>	<i>165 180</i>	<i>+2,24%</i>	<i>41 448</i>	<i>33 970</i>	<i>+22,01%</i>
<i>Sales in Poland</i>	<i>202 030</i>	<i>153 287</i>	<i>+31,80%</i>	<i>51 096</i>	<i>35 147</i>	<i>+45,38%</i>
Gross profit on sales	94 370	76 562	+23,26%	22 640	15 027	+50,66%
<i>Gross margin on sales (%)</i>	<i>25,44%</i>	<i>24,04%</i>	<i>+1,40 pp.</i>	<i>24,46%</i>	<i>21,74%</i>	<i>+2,72 pp.</i>
EBITDA	35 138	27 410	+28,19%	3 576	3 133	+14,14%
<i>EBITDA margin (%)</i>	<i>9,47%</i>	<i>8,61%</i>	<i>+0,86 pp.</i>	<i>3,86%</i>	<i>4,53%</i>	<i>-0,67 pp.</i>
EBIT	24 951	18 315	+36,23%	858	699	+22,75%
<i>EBIT margin (%)</i>	<i>6,73%</i>	<i>5,75%</i>	<i>+0,98 pp.</i>	<i>0,93%</i>	<i>1,01%</i>	<i>-0,08 pp.</i>
Net profit	15 261	11 729	+30,11%	- 1 026	-59	-
<i>Net margin (%)</i>	<i>4,11%</i>	<i>3,68%</i>	<i>+0,43 pp.</i>	<i>-1,11%</i>	<i>-0,09%</i>	<i>-</i>
Net profit including discontinued activity	14 817	11 024	+34,41%	-1 054	-50	-



Krzysztof Krempeć, CEO of MERCOR S.A., commented: “Diversification by product line and geographically, a continually expanding offer, and a continuing strong economy, particularly on the market for large-scale construction projects in Poland and Europe, makes it possible to maintain a high level of orders and greater sales. For the last four years our revenue has increased by double digits: in the recently completed 2018/19 we achieved an increase of 16%, and in the preceding years 18%, 16% and 12% respectively. We are also maintaining good margins, and even gradually improving them. We have taken advantage of the encouraging economy in Poland and Europe by winning further contracts, and of higher and higher value. Long-term investments in optimization of production and expansion of the product line have increased our potential. We see even greater opportunities for expansion, and thus in line with our earlier assumptions we are concentrating on growth of new products and further diversification by products and geographically. We are thus reinforcing the advantages allowing us to compete with big international players and making us resistant to economic cycles.”

Krzysztof Krempeć added: “The expansion of sales of mcr Silboard fire protection boards is a key direction of growth for us. This is an innovative product developed in cooperation with outstanding international specialists. We have a realistic opportunity to become a European supplier of fire protection boards. To this end, we want to complete the investment already begun in mcr Silboard and move from demonstration production to an industrial scale. This is facilitated for us by the complete technological line purchased in May of this year. We are in the course of transferring it to our plant near Płock. Over the next 12 months we want to complete all installation and adaptation works. Additionally, an issue of shares directed to a selected financial investor could support our growth plans.”

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Mercor Group is one of the leaders of the European market for passive fire protection sector and a leading player in Poland. The Group has been providing safety for 30 years. The Group's comprehensive offer includes: smoke and heat exhaust systems, rooflight systems, fire ventilation systems, as well as fire protections of building structures.

It is present on over 40 countries on 4 continents. It has subsidiaries on 8 European markets (in Poland, Spain, Russia, Hungary, Czech Republic, Slovakia, Romania, Ukraine) and 8 production plants (in Poland, Spain, Russia, Hungary, Ukraine).

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