

Kingspan Group Plc

Trading Update

30 April 2020

Kingspan Group Plc, the global leader in high performance insulation and building envelopes is issuing this Trading Update in advance of its Annual General Meeting which is being held tomorrow at 10.15am.

The first quarter, for the most part, reflected solid activity globally both in terms of sales and order intake. Group Sales of €1.03bn for the three-month period to 31 March were 3% behind prior year (-7% pre-acquisitions). The current lockdown did not significantly impact activity for most of the first quarter although the landscape changed markedly from the middle of March onward.

By market during the first quarter, the UK saw a pickup in order intake activity and more encouraging trends generally following a tough second half in 2019. Mainland Europe was solid overall with some tentative intake improvement in Germany from the weakness seen through much of last year. The Americas had a good first quarter overall with Australasia and the Middle East both trending more positively on order intake.

Insulated Panels sales were down 2% (-8% pre-acquisitions) in the first quarter. In the UK, sales activity was well behind reflecting the negative order intake flagged in the fourth quarter of 2019. Intake picked up considerably in the early part of 2020. In Mainland Europe, overall sales were solid although were behind in Germany again reflecting a lower order book at the turn of the year. In France, the Bacacier business acquired in late 2019 is integrating well. Sales in the Americas were encouraging in the first quarter, most notably in the US and Brazil. At the end of March the global orderbook was 5% ahead of the same period in 2019. Quadcore™ specification continues to progress well internationally.

Insulation Boards sales were down 8% in the first quarter, significantly impacted by deflationary pricing. Kooltherm® sales were modestly ahead offset by softer PIR activity particularly in the UK. Overall Mainland Europe, had a steady start to the year. North America and Australia both had a good first quarter. Activity in Ireland was well down in the early part of the year particularly in the residential segment.

Light & Air sales were up 1% in the first quarter, a seasonally low period. Central and Eastern Europe had a sluggish start offset by encouraging activity in Southern and Western Europe, while North America commenced the year solidly. Another significant development milestone was marked in the period with the acquisition of Colt Group on 17 April 2020. This will add significantly to category breadth, scale and service offering, with annualised revenue in excess of €150m.

Data & Flooring sales were strongly ahead by 17% in the first quarter (+2% pre-acquisitions). Good growth was seen in most key markets reflecting strong datacentre activity in Europe, North America and Asia.

Water & Energy had a subdued start to the year with sales down by 8% in the first quarter. Rainwater harvesting sales in Australia had a slow start as did the UK more generally, albeit in a seasonally low trading period.

The trading context has changed manifestly since the middle of March with an enforced cessation of activity in many markets occurring at a pace without precedent. Global sales in April decreased by almost 35% compared to the same period last year reflecting the full or partial closure of various construction markets worldwide. The Americas has been robust so far as has Germany and parts of Central Europe. France and Southern Europe have been particularly weak, and activity in Ireland has been down by over 80% versus prior year, a clear standout. UK activity is less than half what it was in April last year. As a consequence we currently expect to record a result close to breakeven overall for April, a month of significant profitability in a normal year. This trading run rate is expected to persist through the coming weeks at the very least.

Bank debt as at 27 April was €551m and takes account of the acquisition of Colt during April. The Group has, in aggregate, in excess of €1bn of cash on hand and committed undrawn facilities. We expect bank debt at the end of June to be in the region of €580m (December 2019: €633m).

Looking ahead in this environment is difficult to do with any modicum of certainty. We continue to focus on the aspects of our business that we can control and to ensure Kingspan is positioned to respond rapidly to activity swings in either direction. This challenge, without underestimating it, will inevitably pass and whilst its duration and medium term impacts are unclear we are confident that the diversification of our end markets, the innovation of our high performance proposition, our balance sheet strength and the resolve of our people all position Kingspan well for the longer term.

Kingspan will issue its half-year financial report for the period ended 30 June 2020 on Friday 21 August.

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