ABO-Group Annual Results for 2019

Ghent, March 27, 2020 – 18.00 CET – Press release / Regulated information

The ABO-Group, an engineering office focussing on construction, environment and energy, has today announced its consolidated financial figures for 2019.

Review of 2019

- **Absolute record figures in turnover, operating result and net profit**
- **Strong sales growth of 8.2%, driven by geotechnics**
- **20% growth in France and 8.5% in the Netherlands**
- **Operating profit before depreciation increased by 84% to 0.7 euros / share**
- **Strong operating cash flow and a solid balance sheet**

Outlook for 2020

- **25 years of ABO**
- **Temporary brake due to COVID-19 / long-term objectives confirmed**
- **Further expansion of geotechnics**

	2018 in € 000	2019 in € 000	Change in € 000	Change in %	Per share in €
Turnover	**44,393**	**48,015**	**3,622**	**8.2%**	
Total operating income	45,432	49,251	3,819	8.4%	
Operating profit before depreciation	**4,039**	**7,432**	**3,393**	**84.0%**	**0.70**
Depreciation	2,663	4,266	1,603	60.2%	
Operating profit	1,376	3,166	1,790	130.1%	
Financial result	-430	-609	-179	41.6%	
Profit before tax	946	2,557	1,611	170.3%	
Net profit	**553**	**1,790**	**1,237**	**223.7%**	**0.17**
Total results	1,560	1,665	105	6.7%	0.16
Total equity	15,124	16,748	1,624	10.74%	1.58
Net cash flow from operations	3,291	6,366	3,075	93.44%	
Balance sheet total	42,928	49,571	6,643	15.47%	

Absolute record figures in turnover, operating result and net profit

Frank De Palmenaer, CEO of the ABO-GROUP Environment, explains: *"2019 was an absolute record year for the ABO-GROUP. We achieved group sales of just under 50 million euros, an operating result of 3.2 million euros and a net profit of 1.8 million euros. These figures are the best the group has ever reported. They testify to the consistent implementation of our growth strategy. From the stock market listing in 2014, the group has achieved revenue growth of more than 10% per year on average, with an EBITDA margin that has doubled. We are proud of this, and thank all our enthusiastic employees, customers, suppliers and other stakeholders. ABO will continue on this path in 2020, which is an anniversary year for the group. The recent impact of COVID-19 is slowing our growth rate in the short term, but we are convinced that the underlying structural trends are favourable for all parts of the ABO-GROUP. We are starting from a very healthy basis and have built up a solid buffer; we are therefore hopeful that we will get through the current difficult period as a strengthened group."*

Strong sales growth of 8.2%, driven by geotechnics

The turnover of the ABO-GROUP increased from 44.4 million to 48 million euros in 2019. As anticipated and announced, geotechnics serves as the real growth engine of the group, with an impressive growth of almost 20%. The “Soil and Environment” department also continues to grow organically, but at a slower pace of approximately 5%. The “Asbestos and Energy” department experienced a decline, which is, however, entirely attributable to the energy department. The disappearance of a number of large framework contracts, for which a great deal of subcontracting had to be done, affects turnover, but has only a minimal effect on profitability. The sale of the trading fund of the unprofitable international division at the beginning of March 2019 fully explains the decline in the “Other” segment.

	2018 in € 000	2019 in € 000	Change in € 000	Change in %	% of Turnover
Geotechnology	21,624	25,765	4,141	19.15%	53.7%
Soil & Environment	19,394	20,235	841	4.34%	42.1%
Asbestos & Energy	2,518	1,932	-586	-23.3%	4.0%
Others	856	83	-773	-90.3%	0.2%
Sales	**44,393**	**48,015**	**3,622**	**8.2%**	100%

20% growth in France and 8.5% in the Netherlands

The growth in France comes from geotechnics. Each of our geotechnical divisions is contributing to this growth, but it is mainly the “Grandes Investigations Complexes” and “Conception Géotechnique” departments that are making the greatest progress. These two business lines, which were specifically developed for large clients, are reaping the benefits of their years of experience and the accumulated expertise in the most difficult and complex projects. Innogeo, which joined the group on July 1, 2019, contributed more than half a million euros to the turnover. The integration has now been successfully completed, and synergy with the other operations and countries is being fully activated.

The ABO-Group is experiencing strong growth in geotechnics in Belgium (under the Geosonda brand), as well as in soil, more specifically in the “demolition” and “archaeology” sub-sections of ABO NV. The one-stop-shop principle, whereby builders, project developers and architects can turn to one party for all their supporting environmental and geotechnical related studies, is unique in the Belgian market and is gaining in importance. The investments in R&D are also increasingly bearing fruit. This is expressed in a number of large-scale, multi-year research assignments in collaboration with various governments and research institutions, mainly around the development of innovative soil remediation technology. The activities in the Translab asbestos laboratory grew strongly, among other things by adding analyses with an electron microscope (SEM / EDX) to its range of services. The energy department experienced a significant drop in turnover (-815k euros) due to the expiry of a number of large framework contracts. However, as mentioned, this only has an effect on turnover, not on added value, as these contracts were almost entirely subcontracted. The (unprofitable) international segment, which still had a turnover of just over 800k euros in 2018, was discontinued.

For the first time, the operations in the Netherlands exceeded the symbolic threshold of 10 million euros, an increase of 8.5%. The growth was driven by the soil activities, which experienced particularly strong demand in the second half of the year as a result of the PFAS regulations. As a result, both advice and fieldwork had their hands more than full, an effect that will continue to be felt in 2020. Geotechnical advice and fieldwork remained stable at a high level. The demand for qualified personnel remains the biggest bottleneck for the time being.

	2018 in € 000	2019 in € 000	Change in € 000	Change in %	% of Turnover
France	18,868	22,641	3,773	20.0%	47.15%
Belgium	15,437	15,271	-166	-1.08%	31.80%
The Netherlands	9,272	10,061	789	8.51%	20.95%
International	815	42	-773	-94.85%	0.09%
Sales	**44,393**	**48,015**	**3,622**	**8.2%**	100%

Operating profit before depreciation increased by 84% to 0.7 euros / share

The operating profit before depreciation amounts to 7.4 million euros (0.70 euros/share), an increase of 84%. The application of IFRS 16 is responsible for approximately 1.1 million euros. This increase is further offset in the income statement by higher depreciation and higher interest charges, however; the net impact of IFRS 16 for 2019 amounts to a slightly negative effect of 29k euros.

At the operating result level (from 1.4 to 3.2 million euros, +130%), we see a significantly higher year-on-year contribution from the French activities (+1.1 million euros) driven by strong revenue growth, more attractive projects and higher efficiency (as a reminder, planning was hugely disrupted in France due to strikes). We have also recorded a good improvement in returns in Belgium, (+ 750k euros), driven by the reduction of unprofitable operations, higher turnover and the control and optimisation of personnel costs. The Netherlands remains at the same level; the higher operating result in soil is levelled off by higher depreciation as a result of the intensive investment programme in geotechnics carried out in recent years.

Depreciation increased from 2.66 million euros to 4.26 million euros. As indicated, 1.08 million euros of this is attributable to the application of IFRS16. The remaining increase is a logical consequence of further investments in tangible fixed assets. The largest investment in 2019 was the acquisition of a new office building and the associated land in Marseilles (> 3 million euros).

The financial result is negatively affected by the application of IFRS 16 (-103k euros), and to a lesser extent by the increased financial debts.

Net profit tripled, from 0.55 million to 1.8 million euros (0.17 euro per share). The total result (part of the group) increased from 1.55 to 1.64 million euros. The updating of the French pension liabilities was carried out directly via the group's equity and, due to the downward adjustment of the discounting rate, has a negative impact of net 132k euros.

Strong operating cash flow and a solid balance sheet

Net cash flow from operating activities rose from 3.3 to 6.4 million euros, driven by strong operational figures and continuous monitoring of working capital.

The balance sheet total increased from 42.9 to 49.6 million euros. On the asset side, the main change is the increase in tangible fixed assets by more than 5 million euros, a combined effect of IFRS 16 (net increase of 2.5 million euros), the purchase of the new building in Marseilles and the continuation of the investment programme. On the liabilities side, equity increased to 16.7 million euros on the one hand, and financial debts on the other, which are the expression of financing the increase in tangible fixed assets. The equity ratio is 33.8%. Solvency, calculated as the ratio of net financial debts to the operating result before depreciation, is a comfortable 1.7 (compared to 2.1 at the end of 2018).

The full consolidated income statement and balance sheet, the statement of changes in equity, and the consolidated cash flow statement are included below.

Outlook for 2020

25 years of ABO

The ABO NV company, the basis and cradle of the current ABO-GROUP, was established on October 27, 1995. We will thereby be celebrating the 25th anniversary of the group in 2020. In the autumn, the group will be hosting various celebrations to highlight its evolution, but especially its product range, to staff, customers and other stakeholders.

Temporary brake due to COVID-19 / long-term objectives confirmed

The recent developments with regard to curbing the spread of the corona virus are temporarily restricting the revenue generation of the group. ABO is following the statutory rules as far as possible, and has virtually entirely switched to working from home. Where necessary, we are making use of temporary unemployment. In this way, the financial impact is expected to remain manageable, barring loss of turnover. ABO assumes that there will be a postponement in the projects, not cancellations. As we are currently passing through the eye of the storm, it is extremely difficult to provide a concrete figure. Depending on the time involved until full resumption of the operations, this will entail a different level of impact. ABO remains available to its customers during these difficult times, however, and continues to strive for maximum production.

The year 2020 has otherwise started quite favourably, due to mild weather conditions. ABO remains confident in its expertise, its markets and the structural growth of its sector. The long-term objectives, double-digit growth through a mix of organic and acquisitive growth, will therefore be maintained without any problem.

Further expansion of geotechnics

ABO-Group remains fully committed to further expanding the range of operations. Within geotechnics, we look forward to an acceleration in Belgium via the purchase of a new CPT vehicle and an increase in the number of CPT teams. We anticipate the further expansion of the geotechnical laboratories in Belgium (addition of various tri-axial tests) and France (start-up in Marseilles), as well as the start-up of a new office near Toulouse. Where possible, we support internal growth by recruiting experts to set up and expand new activities. We anticipate that these initiatives will support the turnover and profitability in 2020.

In addition, the group continues to look forward to strengthening its position in the home countries through acquisition. For example, the Innogeo company was acquired in 2019 and has been subsequently successfully integrated. The group will continue to monitor the acquisition market in 2020. The group has identified a number of interesting opportunities, without being able to give any guarantee of an effective transaction, however.

Financial calendar

24/04/2020: Publication of the 2019 annual report and convocation to the General Meeting
27/05/2020: General Meeting
18/09/2020: Figures for the first half of 2020

Statement of the statutory auditor

The statutory auditor of ABO-Group Environment NV, EY Bedrijfsrevisoren CVBA, represented by Marnix Van Dooren, has confirmed that his audit review, which was thoroughly completed, has not revealed any significant corrections that would require an adjustment to the 2019 consolidated figures for the Group that are included in this press release.

About the ABO-Group

The ABO-Group is a specialised engineering company focused on construction, environment and energy. The ABO-Group is active in Belgium, the Netherlands and France, as well as internationally, through its consultancy and testing & monitoring departments. ABO-Group guarantees its customers a sustainable solution. For a more detailed description of the operations of the group, please consult the ABO-Group website (www.abo-group.eu).

For more information:

Frank De Palmenaer
CEO ABO-Group Environment NV
frank.depalmenaer@abo-group.eu
T +32 (0)9 242 88 88

Johan Reybroeck
CFO ABO-Group Environment NV
johan.reybroeck@abo-group.eu

Derbystraat 255, Maaltecenter Blok G, B-9051 Ghent (SDW), Belgium

This press release is available on our website www.abo-group.eu.

Consolidated income statement

in €000	For the year ending on December 31 2019	2018
Turnover	48 015	44 393
Other operating income	1 236	1 039
Total operating income	**49 251**	**45 432**
Purchases	-4 540	-5 031
Services and miscellaneous goods	-15 732	-15 458
Employee remunerations	-20 998	-20 276
Depreciation	-4 266	-2 663
Other operating expenses	-549	-628
Operating profit	**3 166**	**1 376**
Financial charges	-646	-447
Financial income	37	17
Share in the profit of associated companies	–	–
Profit from continued operations, before taxes	2 557	946
Taxes	-767	-393
Net profit from continued operations	**1 790**	**553**
Profit from discontinued operations, after taxes	–	–
Net profit	**1 790**	**553**
Net profit (loss) attributable to the		
shareholders of the parent company	1 763	545
Minority interests	27	8
Basic earnings per share for the shareholders		
Basic and diluted	0.17	0.05
Profit per share for the shareholders from ongoing operations		
Basic and diluted	0.17	0.05
Basic earnings per share from discontinued operations		
Basic and diluted	–	–

Consolidated total result

in €000	For the year ending on December 31 2019	2018
Net profit	1 790	553
Non-realised results - transferable to the profit and loss account		
Revaluation of buildings	–	1 253
Tax impact	–	-324
Change in the fair value of financial assets with changes in fair value via the non-realised results	7	-46
Non-realised results - not transferable to the profit and loss account		
Actuarial (profit) / losses	-183	165
Tax impact	51	-41
Non-realised results, after tax	**-125**	**1 007**
Total result after taxes	**1 665**	**1 560**
Total result, attributable to the		
shareholders of the parent company	1 638	1 552
Minority interests	27	8

Consolidated balance sheet

in €000	For the year ending on December 31 2019	2018
Fixed assets		
Goodwill	844	844
Intangible fixed assets	1 749	1 670
Tangible fixed assets	20 966	15 887
Investments in associated companies	–	–
Deferred tax assets	1 008	889
Financial assets with fair value changes via the non-realised results	32	35
Other financial assets	629	646
Total fixed assets	**25 228**	**19 971**
Short-term assets		
Inventory	811	676
Trade receivables	16 677	16 512
Other short-term assets	1 112	974
Cash and cash equivalents	5 743	4 795
Total short-term assets	**24 343**	**22 957**
Total assets	**49 571**	**42 928**

in €000	For the year ending on December 31 2019	2018
Total equity		
Capital	4 857	4 857
Consolidated reserves	8 216	6 708
Non-realised results	2 318	2 509
Equity attributable to the shareholders of the group	**15 391**	**14 074**
Minority interest	1 357	1 050
Total equity	**16 748**	**15 124**
Long-term debts		
Financial debts	8 552	5 085
Deferred tax liabilities	1 362	1 382
Provisions	941	688
Total long-term debts	**10 855**	**7 155**
Current liabilities		
Financial debts	9 624	8 392
Trade payables	5 008	5 730
Tax liabilities	742	652
Other short-term debts	6 594	5 875
Total short-term debts	**21 968**	**20 649**
Total shareholders' equity and payables	**49 571**	**42 928**

Consolidated statement of changes in equity

in €000	Capital	Consolidated reserves	Non-realised results	Total	Minority interest	Total equity
	Attributable to the shareholders of the parent company					
On January 1, 2018	**4 857**	**6 074**	**1 591**	**12 522**	**1 203**	**13 725**
Net profit		545		545	8	553
Non-realised results			1 007	1 007	–	1 007
Total result		**545**	**1 007**	**1 552**	**8**	**1 560**
Acquisition of Enviromania and Translab	–	–	–	–	–	–
Capital increase in Enviromania and Translab	–	–	–	–	–	–
Transfer of depreciation of tangible fixed assets	–	89	-89	–	–	–
Dividend to minority interest	–	–	–	–	-34	-34
Purchase of minority interest Sialtech	–	–	–	–	-127	-127
On December 31, 2018	**4 857**	**6 708**	**2 509**	**14 074**	**1 050**	**15 124**
Net profit		1 763		1 763	27	1 790
Non-realised results			-125	-125	–	-125
Total result		**1 763**	**-125**	**1 638**	**27**	**1 665**
Transfer of depreciation of tangible fixed assets	–	175	-175	–	–	–
Dividend to minority interest	–	–	–	–	-22	-22
Purchase of minority interest Ecorem	–	-431	109	-322	302	-20
On December 31, 2019	**4 857**	**8 216**	**2 318**	**15 391**	**1 357**	**16 748**

Consolidated cash flow statement

in €000	For the year ending on December 31 2019	2018
Net profit	1 790	553
Non-cash costs and operating adjustments		
Depreciation of tangible fixed assets	3 979	2 419
Depreciation of intangible fixed assets	286	244
Profit on the sale of tangible fixed assets	-68	-135
Movements in the provisions	-91	-11
Movements in impairments on customers	14	13
Financial revenue	-37	-17
Financial charges	646	446
Badwill arising from business combinations	-35	–
Share in the profit of associated companies	–	28
Deferred tax expense	-223	24
Tax expenses	990	369
Other	2	–
Changes to the working capital		
Decrease (increase) in other financial fixed assets, trade receivables and other short-term assets	-371	1 356
increase in stocks	185	-138
Increase (decrease) in trade payables and other debts	54	-1 178
	7 121	**3 973**
Interest received	3	7
Taxes paid	-758	-689
Net cash flow from operating activities	**6 366**	**3 291**

in €000	For the year ending on December 31 2019	2018
Investment activities		
Investments in tangible fixed assets	-2 004	-2 424
Investments in intangible fixed assets	-54	-98
Sale of tangible fixed assets	199	170
Subsidiary acquisition, net with cash acquisition	-532	–
Purchase of minority interests	-20	–
Income from financial assets	10	–
Net cash flow (used in) from investing activities	**-2 401**	**-2 352**
Financing activities		
Income from loans	3 310	4 310
Repayment of loans	-3 603	-2 509
Repayment of lease debts	-2 057	-1 000
Interest paid	-389	-231
Other financial income (costs)	-256	-205
Dividend payment to minority interest	-22	-34
Net cash flow from financing activities	**-3 017**	**331**
Net increase in cash and cash equivalents	**948**	**1 270**
Cash and cash equivalents at the beginning of the year	4 795	3 525
Cash and cash equivalents at the end of the year	**5 743**	**4 795**
Other non-cash transactions		
Financial leasing	-6 682	-1 255