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2019-2020 First-Half Results

The initial benefits of our reorganization blacked out by the impact of the health crisis and depreciation of goodwill

in M€	1st semester 2019 **Oct 18 - Mar 19**	1st semester 2020 **Oct 19 - Mar 20**
Revenue	**348.9**	**314.3**
Current Operating Income %	**5.0** 1.4%	**-1.1** -0.3%
Non-recurring items	-4.2	-28.9
Financial expenses	-1.9	-1.8
(Losses)/gains on foreign exchange	2.9	-4.4
Profit before tax	1.7	-36.2
Tax expense	-0.7	-0.4
Share of profit of associates	0.2	0.2
Net income	**1.2**	**-36.4**

- **Analysis of 2019-2020 first-half results**

The decline in current operating income over the first-half of 2019-2020 was due primarily to the drop in revenue from Agricultural and Industrial Spraying due to the global health crisis.
The reorganization initiated in 2019 produced visible results for the Sugar Beet Harvesting business. With respect to Agricultural Spraying, we expect an improvement by the end of the financial year.
The very uncertain macro-economic context, notably as a result of the health crisis, has led us to increase the overall level of general risk taken into account in our asset depreciation tests. The result is depreciation of Agricultural Spraying goodwill in the amount of €26 million, recorded in non-recurring items. In addition, the collapse of sugar prices led us to complete the exceptional depreciation of our inventory of used Sugar Beet Harvesting machinery in the amount of €2 million. Lastly, non-recurring charges include the Intec acquisition fees.

Net income for the period was -€36.4 million compared to €1.2 million last year. It was heavily impacted by the depreciation of goodwill and by €4.4 million in unrealized losses on foreign exchange, compared to a gain of €2.9 million on March 31, 2019.

Over the first half-year of the 2019-2020 financial year, investments included the acquisition of Intec and €5 million in industrial Capex.

Net financial debt at end-March 2020 amounted to €156.0 million, compared with €154.3 million at the same period last year. The impact of the acquisition of Intec and of the change to IFRS 16 was largely offset by the €58 million drop in WCR compared to March 2019.

Agricultural Spraying ended the half year with revenue down by 11.9% (stable in the first quarter and down 17% in the second quarter) impacted by production and shipment stoppages and slowdowns at the beginning of the lockdown. The gross margin worsened somewhat as a result of the loss of productivity due to the exceptional circumstances of the health crisis. Despite the decrease in fixed costs, operating income was down, impacted by the volume effect.

Sugar Beet Harvesting business grew slightly over the half-year (up by 1.3%), primarily thanks to the good performance of spare parts sales. This favorable mix, and the effect of measures taken last year to lower the break-even point, produced a significant improvement in gross margin and operating income.

Garden Watering and Spraying was particularly impacted by the abrupt shut-down of the sales outlets of main customers in France and the United Kingdom right at the beginning of the high season, and recorded a half-year drop in revenue of 13%. The impact of this drop in volume on the operating income was limited due to the seasonality of the business.

Industrial Spraying growth was down by 8.5% over the half-year due to the significant slowing of the automotive sector in Europe and North America. Following four consecutive quarters of decline, Asia has shown signs of recovery since the start of the second quarter. Intec's income has been consolidated since January 2020 and consolidation is continuing in line with objectives. Despite the improvement in the gross margin and the reduction in fixed costs, operating income was down, impacted by the lower volumes.

- **COVID-19**

In the short-term, the health crisis has resulted in a drop in business, which has been more or less significant depending on the sector.
Our teams worldwide very quickly implemented the conditions needed to maintain our business, with the health of our employees always the main priority. The measures enabled us to limit the impact of the lockdown.

The Group decided against implementing the emergency deferred payment of social charges and taxes proposed by the French government.

- **Audit Process**

The Group Audit Committee met on May 27, 2020. The Statutory Auditors reported to the Audit Committee on the audits they conducted on the financial statements of the Group and its main subsidiaries.
They did not issue any reservations following a limited review of the financial statements for the period ended March 31, 2020. The Board of Directors meeting of May 28, 2020 approved the Group's half-year consolidated financial statements on these bases.

- **Application of IFRS 16**

The Group has been applying IFRS 16 for the accounting of lease contracts since October 1, 2019. The standard has resulted in recognizing lease contracts on the balance sheet in the form of a right to use in assets and a lease debt in liabilities. The first application of the standard was applied using the simplified retrospective method: the corresponding €15.4 million in usage rights are recognized in an amount equivalent to that of the lease debt.

- **Outlook and Strategy**

Yves Belegaud, Chief Executive Officer of the EXEL Industries Group, commented:

"We are living in exceptional times because of the COVID crisis. I want to congratulate our teams who have managed the business remarkably well during the lockdown period.
Given the unknown consequences of the crisis, we are being doubly cautious. We have revised our business plans and proceeded with balance sheet adjustments via the depreciation of goodwill.
Cost control and the sound management of WCR have enabled us to maintain debt at the same level as in March 2019, while financing the Intec acquisition.
While we don't want to make any predictions for the full financial period, we did see a fairly quick recovery of sales in April and May in Agricultural and Garden Spraying.
The evolution of Sugar Beet Harvesting sales is uncertain. The collapse of the world sugar price has made farmers cautious about investing. In addition, the recovery of Industrial Spraying sales will depend on the evolution of the automotive sector which accounts for 55% of the business, combined with the seasonality of Intec's revenue, which will only produce a full effect over the first quarter of 2020-2021.
Given this backdrop, the Group is being even more cautious by implementing another round of fixed cost reductions and by freezing certain non-priority investments. We are also continuing the work undertaken to manage the WCR.
Lastly, the financing lines secured for the medium term enable us to continue the business without having to obtain State-guaranteed loans."

- **Upcoming meetings**

- July 28, 2020 after market closing: Q3 2019-2020 revenue;
- October 27, 2020 after market closing: 2019-2020 Q4 revenue;
- December 17, 2020 before market opening: 2019-2020 Annual Results.

About EXEL Industries:

EXEL Industries' core business is agricultural and industrial spraying. The Group also competes in the consumer watering products market and in sugar beet harvesters. The goal of EXEL Industries is to expand in its markets through a policy of constant innovation and an international growth strategy. EXEL Industries employs approximately 3 544 people spread across 27 countries and five continents.
Euronext Paris, SRD Long only – compartment B (Mid Cap)
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This press release is available in French and in English.

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