Aalberts accelerates strategy and continues investments and innovations

solid and resilient performance with strong free cash flow

highlights

- limited number of COVID-19 infections; continued operations in a safe way
- revenue EUR 2,610 million; organic decline 7.0%
- orderbook at year-end 9.3% higher than last year
- EBITA amounted to EUR 283* million; as a % of revenue 10.8*
- net profit before amortisation EUR 200* million; per share EUR 1.81*
- strong free cash flow of EUR 339 million
- net debt (before IFRS 16) reduced with 24% to EUR 444 million
- continued investments and innovations; capital expenditure EUR 95 million
- acceleration strategy: one-off full year strategic restructuring cost (SRC) of EUR 51 million with an annual benefit of approx. EUR 50 million

CEO statement

“We are fortunate that we only faced a limited number of COVID-19 infections. Our Aalberts people did a great job in continuing our operations in a safe way, serving our customers worldwide. Our business was impacted with an organic revenue decline of 7%. We focused on cash management, cost optimisations and innovations. We delivered a resilient and solid performance with an added-value of 61.6% and an EBITA of EUR 283* million, reflecting our portfolio and market position improvements over the last years.

In the first half of the year we accelerated our strategy with many strategic restructuring projects to simplify our organisation, reduce our structural costs and to further improve our portfolio to evolve into a stronger and better Aalberts, realising our strategic objectives. This has led to a one-off strategic restructuring cost during 2020, which will partly benefit 2020 and fully 2021.

We continued our capital expenditure (EUR 95 million) in growing product lines, future technologies and innovations and strengthened our R&D capacity. Some building and capacity expansion investments were postponed.”

key figures

in EUR million	**2020**	**2019**	**delta**
revenue	2,610	2,841	(8%)
added-value as a % of revenue	61.6	62.8	
EBITA	283*	363	(22%)
EBITA as a % of revenue	10.8*	12.8	
net profit before amortisation	200*	267	(25%)
earnings per share before amortisation (in EUR)	1.81*	2.42	(25%)
net debt	600	755	(21%)
net debt (before IFRS 16)	444	588	(24%)
leverage ratio: net debt / EBITDA (before IFRS 16)	1.1	1.3	
free cash flow (before interest and tax)	339	312	9%
free cash flow conversion ratio (FCF as a % of EBITDA)	89.3	63.2	
capital expenditure	95	148	(36%)
net working capital	399	490	(19%)
return on capital employed (before IFRS 16)	12.5*	15.1	

* before strategic restructuring cost (SRC)

dividend

We propose a cash dividend of EUR 0.60 per share (2019: EUR 0.80) to the General Meeting, a decrease of 25%.

outlook

We will drive our organic revenue growth and innovation initiatives and increase our capital expenditure. We continue the strategic restructuring projects and inventory reduction programme and further improve our portfolio to realise our strategic objectives. We will continue to strengthen our market positions and niche technologies with bolt-on acquisitions.

financial development

Revenue decreased by EUR 230.9 million to EUR 2,610.4 million. Overall, we realised an organic revenue decline of EUR 191.4 million or 7.0% (in 2H20 2.5% decline). The 2019 acquisitions (PPC & Applied) caused a positive revenue effect of EUR 18.5 million. Divestments in 2019 (HFI & STAG) caused a negative revenue effect of EUR 26.1 million. Currency translation | FX impact amounted to EUR 31.9 million negative, mainly USD, RUB, PLN and GBP.

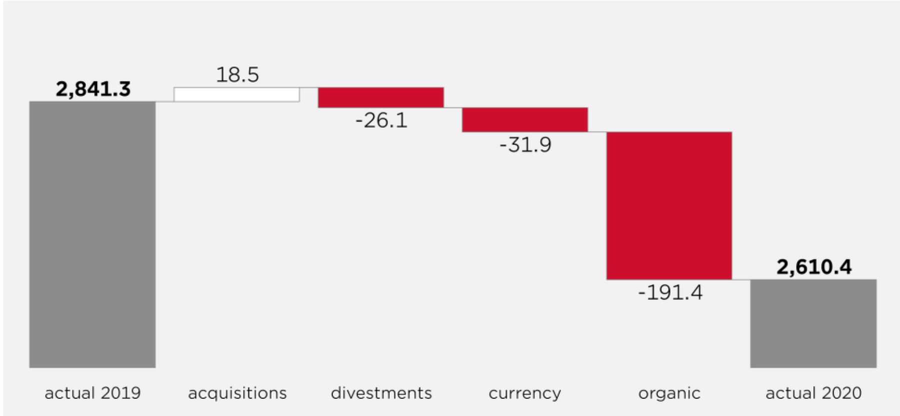
Overall, EBITA before SRC decreased by EUR 80.1 million to EUR 282.5 million or 10.8% of revenue (2H20 12.2%). SRC amounted to EUR 51.3 million, of which EUR 22.1 million is provided for in the balance sheet as cash out for 2021. We realised an organic EBITA decline of EUR 78.4 million. In 2020 there was a positive effect of EUR 2.9 million from 2019 acquisitions (PPC & Applied). Divestments in 2019 (HFI & STAG) had a negative impact of EUR 1.4 million. Currency translation | FX impact amounted to EUR 3.2 million negative.

Net profit before amortisation decreased by EUR 67.8 million to EUR 199.6* million, per share to EUR 1.81* (2019: EUR 2.42).

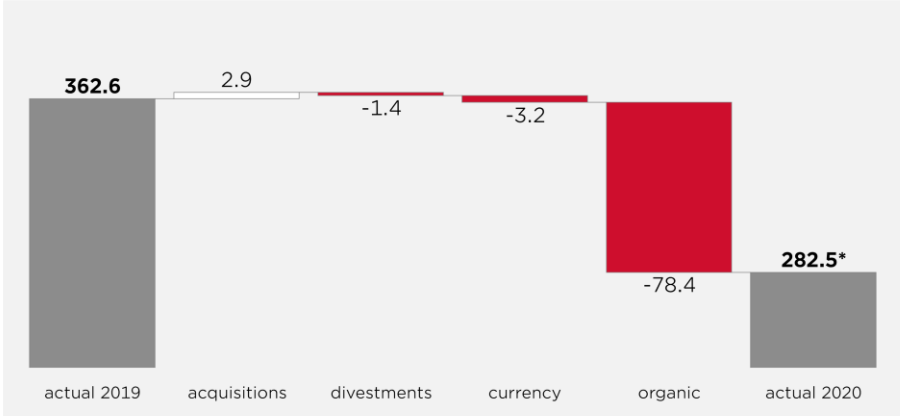
Free cash flow (before interest and tax) was EUR 339 million, EUR 27 million higher than in 2019, FCF conversion ratio 89.3% (2019: 63.2%). Lower EBITDA was compensated by a structural improved NWC and postponed CAPEX cash out. Working capital decreased to 55 days or EUR 399 million (2019: 61 days or EUR 490 million). Inventories reduced with EUR 71 million, resulting in an improved DIO. CAPEX cash out was EUR 105 million or EUR 34 million lower than last year. Capital expenditure finished at EUR 95 million (2019: EUR 148 million).

Return on capital employed (before IFRS 16) decreased from 15.1% to 12.5%*. Capital employed decreased with EUR 186 million to EUR 2,406 million. Solvability improved to the level of 55.5% (2019: 53.0%). Net debt decreased with EUR 155 million to EUR 600 million, net debt (before IFRS 16) decreased with EUR 144 million to EUR 444 million. The leverage ratio (before IFRS 16) improved to 1.1 (2019: 1.3), well below the bank covenant of < 3.0.

revenue bridge



EBITA bridge



* before strategic restructuring cost (SRC)

operational development

In 2020 the organic revenue decline amounted to 7.0%. In the second quarter our business was impacted by COVID-19 and temporary customer shutdowns. In the second half of the year business overall recovered. The year ended with a strong orderbook, 9.3% higher than last year. During the year we focused on cash management, cost optimisations and innovations, continued our investments in growing product lines and future technologies. Our R&D capacity was strengthened. Some building and capacity expansion investments were postponed.

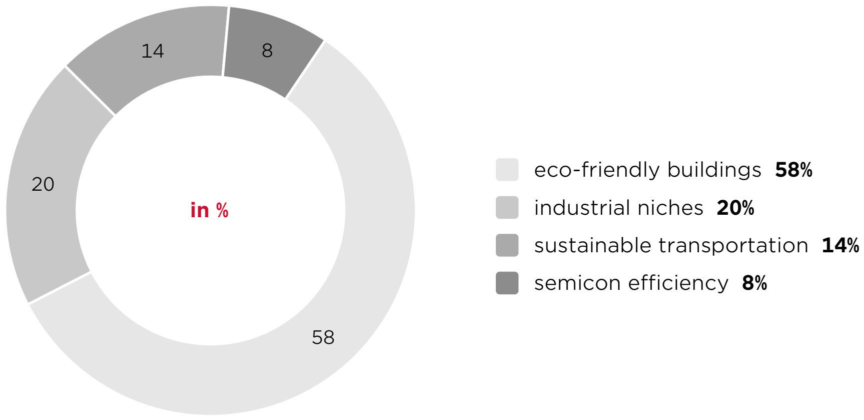
overview end markets and regions

Within ***eco-friendly buildings*** our piping systems and hydronic flow control activities recovered well from a lower level in the second quarter. This was due to our innovations, reopening of distribution channels in some countries and an increase of customer demand and inventory level which continued in the second half of the year. The orderbook increased to a record level at year-end.
The ***semicon efficiency*** activities of advanced mechatronics performed very well. We realised a strong growth and new co-development projects were initiated with our key accounts. We ended the year with a record orderbook.
Within ***sustainable transportation*** we faced difficult circumstances in the second quarter due to customer shutdowns and inventory reduction. After reopening of customer locations, we saw a gradual recovery end of May for fluid control, followed by surface technologies. In the second half of the year business further recovered due to increased customer demand and inventory level.
In ***industrial niches*** our activities increased gradually in the last quarter of the year, except for beverage dispense, where the worldwide lockdowns resulted in a difficult market situation during the year.

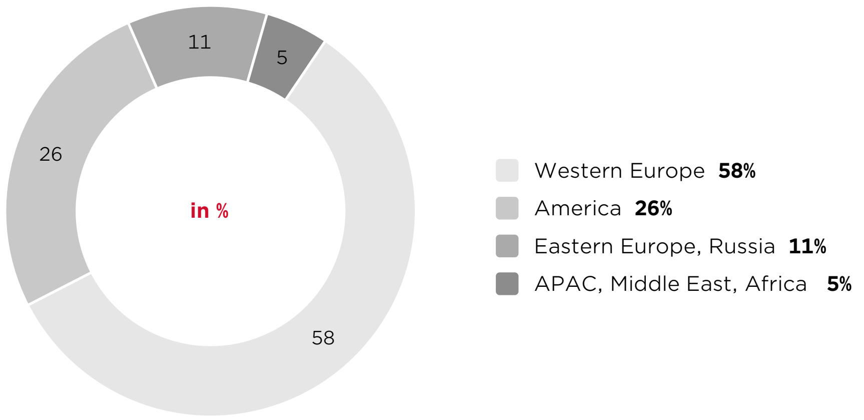
operational excellence and portfolio optimisation

We accelerated the action plan as presented during our Capital Markets Day. We focused, clustered and simplified the organisation, reduced overhead in all segments and reduced net working capital structurally. Many projects were implemented to optimise our operations. The strategic restructuring projects led to a one-off full year SRC of EUR 51 million in 2020 with an annual benefit of approx. EUR 50 million, partly in 2020 and fully in 2021. We further optimised our portfolio following our divestment programme.

revenue per end market



revenue per region



organic growth, innovation and capital allocation

Piping systems continued to drive the sales and capacity expansions of the connection technology product range, including new innovations in several regions. Our valve technology product lines were expanded with a new patented full flow valve and patented balancing valve, both successfully launched during the year. We started our digital piping design services with a dedicated team in different regions. Automation of our master data over the last years enables us to engineer an optimised integrated piping system together with project developers and building companies. The number of projects we are acquiring through this sales and engineering offering is strongly increasing. Our alignment of the organisation, utilising our combined strength, is making progress in the different regions. This becomes visible in a more efficient utilisation of our worldwide manufacturing capacity and technology. Our supply chain in North America is consolidated and optimised. In Europe we are optimising our new assembly and distribution centres in the Netherlands and Belgium. The reduction of working capital showed good results.

Hydronic flow control continued the implementation of the newly launched product lines and increased the innovation rate. We scored many projects during the year including long-term contracts for data information and remote control, utilising our digital platform. It is still a small part of our revenue but fast-growing, giving us also the opportunity to gain more projects. The digital platform enables us to measure data from our systems to optimise the energy efficiency of the heating and cooling systems for our customers. The digital marketing and R&D capacity are further strengthened. Our strategy to align the competence centres to a unified focused organisation with less overhead was accelerated. The new manufacturing and distribution facility in the Netherlands is in progress. In this new BREEAM outstanding certified facility we expand and automate our manufacturing capacity, consolidate our supply chain and create a new training and demonstration centre. The water supply and district energy activities performed well. A new composite gate valve for underground water and gas applications was launched successfully during the second quarter. We expanded the machining and assembly capacity of our new patented full flow valve for district energy and eco-friendly buildings.

Within ***surface technologies*** all our locations were reviewed, creating the right technologies for the future and an optimal geographical footprint of locations to follow our customers. Besides consolidations and cost reductions the technology portfolio was improved and investments continued in new technologies like hot isostatic pressing for additive manufactured parts. The strategic restructuring was based on market trends such as the electrification of vehicles, transfer of manufacturing locations of our customers to other regions and new technologies for precision manufactured products and surface technology processes. Electrification of vehicles gives us a lot of opportunities for the development of processes for new parts with specifications such as lightweight, particle free, cooling, noise reduction and strengthening of lighter and new materials. Our worldwide footprint is an advantage to adapt our capacity and technology innovations in line with these market trends.

Despite ***fluid control*** facing a difficult year we continued our innovation roadmap, took advantage of new systems launched last years and launched new innovations for industrial niches and upgrades for sustainable transportation. Our innovation roadmap for regulators, valves and measuring systems focuses on fuel reduction and the conversion to alternative fuels like hydrogen, LNG and CNG for all means of transport. We also started to develop hydrogen fuel cell applications for electric vehicles. Although beverage dispense faced difficult circumstances, we launched dispensing systems for disinfection and soft drinks.

Advanced mechatronics realised a strong growth in an excellent year. We were able to deliver the service to our customers, despite the preventive measures we had to install. Many new co-development programmes were started, especially in our high purity fluid systems where we become a real co-developer, strongly expanding our engineering capacity. In our vibration isolation activity in Germany we will expand our facility further to facilitate the growth. Within our location for ultra-precision frames we are optimising our operations, after the capacity expansions of the last years, delivering the record orderbook. During the year we aligned the organisation, creating a focused strategy and culture with local entrepreneurship. Our focus on specialised technologies, co-development projects with key accounts, in combination with our investment power, makes us well positioned for fast growth.

regulated information

This press release contains information that qualifies or may qualify as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

webcast

A webcast will take place on 25 February 2021, starting at 9:00 am CET.
The webcast and presentation can be accessed via aalberts.com/webcast2020

contact

+31 (0)30 3079 301 (from 8:00 am CET)
investors@aalberts.com

financial calendar 2021-2022

date	event
15 April 2021	publication annual report
27 May 2021	General Meeting
2 July 2021	paying out dividend
21 July 2021	publication interim results (after close of trading)
23 February 2022	publication full year results (after close of trading)
31 May 2022	General Meeting

condensed consolidated financial information for 2020

consolidated income statement

in EUR million	2020	2019
revenue	**2,610.4**	**2,841.3**
raw materials and work subcontracted	(1,001.4)	(1,056.7)
personnel expenses	(808.6)	(856.4)
amortisation of intangible assets	(43.8)	(41.7)
depreciation of property, plant and equipment	(110.9)	(95.7)
depreciation of right-of-use assets	(37.2)	(35.1)
other operating expenses	(421.1)	(434.8)
total operating expenses	**(2,423.0)**	**(2,520.4)**
operating profit	**187.4**	**320.9**
net finance cost	(22.4)	(23.2)
profit before income tax	**165.0**	**297.7**
income tax expense	(39.9)	(68.2)
profit after income tax	**125.1**	**229.5**
attributable to:		
shareholders	117.3	225.7
non-controlling interests	7.8	3.8
earnings per share (in EUR)		
basic	1.06	2.04
diluted	1.06	2.03
net profit before amortisation	**199.6***	**267.4**
earnings per share before amortisation (in EUR)		
basic	1.81*	2.42
diluted	1.80*	2.41

* before strategic restructuring cost (SRC)

consolidated balance sheet

before profit appropriation in EUR million	31-12-2020	31-12-2019
assets		
intangible assets	1,255.7	1,319.8
property, plant and equipment	828.6	874.3
right-of-use assets	157.6	173.7
deferred income tax assets	21.2	14.7
total non-current assets	**2,263.1**	**2,382.5**
inventories	554.9	626.0
trade receivables	323.6	338.5
current income tax receivables	8.5	6.3
other current assets	49.3	53.8
cash and cash equivalents	55.8	58.5
total current assets	**992.1**	**1,083.1**
total assets	**3,255.2**	**3,465.6**
equity and liabilities		
shareholders' equity	1,774.1	1,809.8
non-controlling interests	32.2	28.0
total equity	**1,806.3**	**1,837.8**
non-current borrowings	391.1	581.9
deferred income tax liabilities	112.6	122.2
employee benefit plans	77.3	76.1
other provisions and non-current liabilities	6.5	12.8
total non-current liabilities	**587.5**	**793.0**
current borrowings	71.3	64.7
current portion of non-current borrowings	193.4	166.4
current portion of other provisions	22.1	-
trade and other payables	373.1	403.9
current income tax payables	29.7	32.0
other current liabilities	171.8	167.8
total current liabilities	**861.4**	**834.8**
total equity and liabilities	**3,255.2**	**3,465.6**

aalberts
mission critical technologies

consolidated cash flow statement

in EUR million	2020	2019
operating activities		
operating profit	187.4	320.9
amortisation and depreciation	191.9	172.5
result on sale of equipment	(0.5)	(3.1)
changes in provisions	13.0	(10.0)
changes in inventories	42.0	(3.7)
changes in trade and other receivables	2.6	39.7
changes in trade and other payables	17.3	(51.2)
changes in working capital	**61.9**	**(15.2)**
cash flow from operations	**453.7**	**465.1**
finance cost paid	(22.2)	(20.2)
income taxes paid	(53.9)	(67.1)
net cash generated by operating activities	**377.6**	**377.8**
investing activities		
acquisition and disposal of subsidiaries	(7.8)	(110.6)
purchase of property, plant and equipment	(104.6)	(139.3)
purchase of intangible assets	(10.4)	(13.7)
net cash generated by investing activities	**(122.8)**	**(263.6)**
financing activities		
change of non-current borrowings	(131.5)	(5.9)
lease payments	(38.2)	(34.7)
dividends paid	(88.5)	(82.9)
settlement of share based payment awards and other	(3.8)	(0.2)
net cash generated by financing activities	**(262.0)**	**(123.7)**
net increase/(decrease) in cash and current borrowings	**(7.2)**	**(9.5)**
cash and current borrowings at beginning of period	(6.2)	1.5
net increase/(decrease) in cash and current borrowings	(7.2)	(9.5)
effect of changes in exchange rates	(2.1)	1.8
cash and current borrowings as at end of period	**(15.5)**	**(6.2)**

consolidated statement of comprehensive income

in EUR million	2020	2019
profit for the period	125.1	229.5
currency translation differences	(56.4)	20.1
fair value changes derivative financial instruments	(5.5)	(2.6)
remeasurements of employee benefit obligations	(7.1)	(7.2)
income tax effect	3.1	2.2
total comprehensive income / (loss)	**59.2**	**242.0**
attributable to:		
shareholders	54.8	238.0
non-controlling interests	4.4	4.0

consolidated statement of changes in equity

in EUR million	issued and paid-up share capital	share premium account	currency translation reserve	hedging reserve	retained earnings	shareholders' equity	non-controlling interests	total equity
as at 1 January 2020	**27.6**	**200.8**	**(22.5)**	**(4.2)**	**1,608.1**	**1,809.8**	**28.0**	**1,837.8**
profit for the period	-	-	-	-	117.3	**117.3**	7.8	**125.1**
other comprehensive income	-	-	(53.0)	(4.1)	(5.4)	**(62.5)**	(3.4)	**(65.9)**
dividend 2019	-	-	-	-	(88.5)	**(88.5)**	(0.2)	**(88.7)**
share based payments	-	-	-	-	(2.0)	**(2.0)**	-	**(2.0)**
as at 31 December 2020	**27.6**	**200.8**	**(75.5)**	**(8.3)**	**1,629.5**	**1,774.1**	**32.2**	**1,806.3**
as at 1 January 2019	**27.6**	**200.8**	**(42.4)**	**(2.3)**	**1,467.9**	**1,651.6**	**24.2**	**1,675.8**
profit for the period	-	-	-	-	225.7	**225.7**	3.8	**229.5**
other comprehensive income	-	-	19.9	(1.9)	(5.7)	**12.3**	0.2	**12.5**
dividend 2018	-	-	-	-	(82.9)	**(82.9)**	(0.2)	**(83.1)**
share based payments	-	-	-	-	3.1	**3.1**	-	**3.1**
as at 31 December 2019	**27.6**	**200.8**	**(22.5)**	**(4.2)**	**1,608.1**	**1,809.8**	**28.0**	**1,837.8**

aalberts
mission critical technologies

segment reporting

revenue (in EUR million)	**2020**	**2019****	**delta**
installation technology	1,015.2	1,071.4	(5%)
material technology	664.7	772.0	(14%)
climate technology	633.8	690.7	(8%)
industrial technology	325.5	343.9	(5%)
holding / eliminations	*(28.8)*	*(36.7)*	
total	**2,610.4**	**2,841.3**	**(8%)**

EBITA (in EUR million)	**2020***	**2019****	**delta**
installation technology	110.1	129.6	(15%)
material technology	56.3	97.2	(42%)
climate technology	77.0	83.4	(8%)
industrial technology	46.4	64.1	(28%)
holding / eliminations	*(7.3)*	*(11.7)*	
total	**282.5**	**362.6**	**(22%)**

EBITA % (% of revenue)	**2020***	**2019****	**delta**
installation technology	10.8	12.1	(1.3)
material technology	8.5	12.6	(4.1)
climate technology	12.1	12.1	-
industrial technology	14.3	18.6	(4.3)
total	**10.8**	**12.8**	**(2.0)**

capital expenditure (in EUR million)	**2020**	**2019****	**delta**
installation technology	36.4	44.2	(18%)
material technology	36.4	66.8	(46%)
climate technology	13.1	15.0	(13%)
industrial technology	9.2	21.1	(56%)
holding / eliminations	*0.2*	*0.9*	
total	**95.3**	**148.0**	**(36%)**

* before strategic restructuring cost (SRC)
** adjusted for comparison purposes due to movement of activities between business segments

notes to the condensed consolidated financial information

basis of preparation and summary of accounting policies

The condensed consolidated financial information for the year 2020 has been prepared using accounting policies which are in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS) and with Part 2 Book 9 of the Dutch Civil Code. The accounting policies and methods of computation applied in the condensed consolidated financial information are the same as those which were applied for the previous financial year. Further disclosures, as required under IFRS for a complete set of consolidated financial statements, are not included in the condensed consolidated financial information. The consolidated financial statements of Aalberts N.V. for the year ended 31 December 2020 have been prepared, audited and will be published on 15 April 2021.

calculation net profit before amortisation and strategic restructuring cost

in EUR million	**2020**	**2019**
net profit	117.3	225.7
amortisation	43.8	41.7
strategic restructuring cost:		
o personnel expenses	34.6	-
o depreciation of property, plant and equipment	8.0	-
o other operating expenses	8.7	-
o tax impact	(12.8)	-
net profit before amortisation and SRC	**199.6**	**267.4**

regulated information

This press release includes certain measures that are not defined by generally accepted accounting principles (GAAP) such as EBITA, free cash flow (FCF), return on capital employed (ROCE), strategic restructuring cost (SRC) and net debt. This information, together with comparable GAAP measures, is useful to investors because it provides a basis for measuring Aalberts' operating performance. Aalberts' management uses these financial measures, together with GAAP financial measures, in evaluating the business performance.

Alternative performance (non-GAAP) measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP. This press release does not replace (and should be read in conjunction with) Aalberts' financial statements.

key figures

	2020	2019	2018	2017	2016
results (in EUR million)					
revenue	2,610	2,841	2,759	2,694	2,522
EBITDA	423*	493	462	422	392
EBITA	283*	363	366	336	298
net profit before amortisation	200*	267	275	238	212
cash flow from operations	454	465	427	427	383
free cash flow (before interest and tax)	339	312	312	310	273
balance sheet (in EUR million)					
intangible assets	1,256	1,320	1,235	1,127	1,128
property, plant and equipment	829	874	818	775	762
capital expenditure	95	148	134	119	106
net working capital	399	490	464	455	480
total equity	1,806	1,838	1,676	1,513	1,391
net debt (before IFRS 16)	444	588	586	569	713
capital employed	2,406	2,592	2,262	2,081	2,104
total assets	3,255	3,466	3,148	2,910	2,859
number of employees at end of period (x1)	14,782	16,094	16,452	16,003	15,338
ratios					
solvability (total equity as a % of total assets)	55.5	53.0	53.2	52.0	48.7
leverage ratio (before IFRS 16)	1.1	1.3	1.3	1.3	1.7
EBITA as a % of revenue	10.8*	12.8	13.3	12.5	11.8
free cash flow conversion ratio	89.3	63.2	67.6	73.4	69.8
ROCE (return on capital employed before IFRS 16)	12.5*	15.1	16.6	16.2	14.7
added value as a % of revenue	61.6	62.8	62.6	62.3	62.2
effective tax rate	24.2	22.9	21.4	24.6	25.2
gearing ratio (net debt divided by equity)	0.3	0.4	0.3	0.4	0.5
interest cover ratio (before IFRS 16)	25.1	23.3	27.2	25.9	24.6
number of ordinary shares issued (in millions)	110.6	110.6	110.6	110.6	110.6
figures per share (in EUR)					
net profit before amortisation	1.81*	2.42	2.49	2.15	1.92
dividend	0.60	0.80	0.75	0.65	0.58
share price at year-end	36.46	40.01	29.05	42.40	30.82

* before strategic restructuring cost (SRC)