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Lenzing Group reports revenue and earnings growth in the first quarter of 2024

- Revenue up 5.7 percent year-on-year to EUR 658.4 million
- EBITDA more than doubles year-on-year to EUR 71.4 million
- Free cash flow of EUR 87.3 million (compared with minus EUR 132.3 million in the first quarter of 2023) and thereby positive for the third consecutive quarter
- Performance program shows positive effect on revenue, EBITDA, and free cash flow
- Lenzing confirms EBITDA guidance for 2024

Lenzing – The Lenzing Group, a leading supplier of regenerated cellulose for the textile and nonwovens industries, recorded a further improvement in fiber sales volumes in the first quarter of 2024. An expected recovery in markets relevant for Lenzing has to date failed to materialize. Fiber prices remained at a low level. Although the costs of raw materials and energy continued to decrease, they remained higher than in the pre-crisis 2019 year.

The Lenzing Group's revenue rose by 5.7 percent year-on-year to EUR 658.4 mn in the first quarter of 2024. This growth is primarily attributable to higher fiber sales volumes. Earnings before interest, tax, depreciation and amortization (EBITDA) more than doubled to EUR 71.4 million in the reporting period (compared with EUR 29.7 million in the first quarter of 2023). The operating result (EBIT) was slightly positive at EUR 1.5 million (compared with minus EUR 41.4 million in the first quarter of 2023). Earnings before tax (EBT) amounted to minus EUR 17.8 million, but were also significantly better than in the same period of the previous year (minus EUR 74.2 million). Earnings per share amounted to minus EUR 0.83 (compared with minus EUR 3.03 in the first quarter of 2023). Cash flow from operating activities stood at EUR 120.7 million in the first quarter of 2024 (compared with minus EUR 47.7 million in the first quarter of 2023). At EUR 87.3 mn (compared with minus EUR 132.3 mn in the first quarter of 2023), free cash flow was positive for the third consecutive quarter, once again confirming that the measures implemented as part of the performance program to strengthen free cash flow are taking effect.

“The business development of the Lenzing Group is heading in the right direction in the first quarter. However, we cannot speak of a sustainable market recovery as long as price pressure in the fiber business remains high,” notes Stephan Sielaff, Lenzing Group CEO. “Nevertheless, improved business performance and good demand for our specialty fibers show that we are also making good progress, especially with our initiatives to strengthen our sales activities. We are not awaiting a tailwind from the market, but are continuing to implement our performance program with determination.”

Since the third quarter of 2023, the Managing Board of Lenzing AG has been consistently implementing a comprehensive performance program with the overriding objective of significantly enhancing long-term resilience to crises, and of greater agility in the face of market changes. The program initiatives are primarily aimed at generating free cash flow and improving EBITDA through stronger revenue and margin growth, as well as sustainable cost excellence. In addition to the clearly positive effects on the revenue level, the Managing Board expects annual cost savings of in excess of EUR 100 mn from 2025 onward, of which more than 50 percent will have an increasing impact on earnings from the current financial year onward.

Nico Reiner, Lenzing Group CFO, adds: “We are very satisfied with the impact of the performance program to date, and expect the measures to make a greater contribution to further earnings improvements over the course of the coming quarters. The appointment of Walter Bickel as Chief Transformation Officer underscores the importance of this program and ensures that the existing Managing Board can devote all the necessary resources to its core tasks.”

Capital expenditures for intangible assets, property, plant and equipment, and biological assets (CAPEX) amounted to EUR 33.4 mn in the reporting period (compared with EUR 84.7 mn in the first quarter of 2023). As part of its performance program, and following the considerable investments made in recent years, Lenzing is placing a clear focus on maintenance-and-license-to-operate projects. Compared to December 31, 2023, liquid assets improved further by 15.4 percent to EUR 843.6 mn as of March 31, 2024, especially thanks to the positive free cash flow performance.

Changes to the Managing Board

Lenzing also recently announced personnel changes on its Managing Board. The Supervisory Board of Lenzing AG has appointed Walter Bickel as member of the Managing Board and as Chief Transformation Officer of Lenzing AG until December 31, 2025, with effect as of April 15, 2024. Mr. Bickel, an experienced manager, will strengthen the Lenzing Managing Board and will be responsible for the further development and implementation of the performance program.

The 80th Annual General Meeting of Lenzing AG was held on April 18, 2024, at the Lenzing Cultural Center. The AGM ratified the actions of the Managing and Supervisory Board members for the 2023 financial year and set the remuneration of the Supervisory Board members for the 2024 financial year in advance. Dr. Markus Fürst stepped down from the Supervisory Board of Lenzing AG as of the end of the Annual General Meeting, at his own request. Dr. Cornelius Baur was newly elected to the Supervisory Board until the Annual General Meeting that passes resolutions relating to the 2028 financial year. The mandate of Melody Harris-Jensbach mandate was also extended until the Annual General Meeting that passes resolutions relating to the 2028 financial year.

Outlook

Even though the IMF has upgraded its growth forecast for 2024 from 3.1 percent to 3.2 percent, a number of risks remain for the global economy: potential geopolitical shocks, persistently higher inflation and key interest rates, as well as market risks emanating from the Chinese real estate market are currently considered to be the most relevant.

General inflation and falling incomes in real terms are continuing to exert a negative impact on consumer sentiment. A recovery in the consumer clothing market, which is important for Lenzing, will also depend on a further normalization of stock levels.

The currency environment is expected to remain volatile in regions relevant to Lenzing.

In the trend-setting market for cotton, a stable price trend is expected for the 2023/2024 harvest season.

Earnings visibility remains limited overall.

Revenue and earnings in the first quarter exceeded Lenzing's expectations, despite the persistently difficult market. Lenzing is ahead of schedule with the implementation of its performance program. By appointing a separate Managing Board member, the projects identified to date are to be implemented even more rapidly, and new potentials are to be leveraged. Lenzing expects that these measures will increasingly contribute to further earnings improvement over the coming quarters compared to the first quarter of 2024.

Taking the aforementioned factors into consideration, the Lenzing Group confirms its guidance for the 2024 financial year of year-on-year higher EBITDA.

In structural terms, Lenzing continues to anticipate growth in demand for environmentally responsible fibers for the textile and clothing industry as well as the hygiene and medical sectors. As a consequence, Lenzing is very

well positioned with its “Better Growth” strategy and plans to continue driving growth with specialty fibers as well as its sustainability goals, including the transformation from a linear to a circular economy model.

Selected indicators of the Lenzing Group		
EUR mn	01-03/2024	01-03/2023
Revenue	658.4	623.1
EBITDA (earnings before interest, tax, depreciation and amortization)	71.4	29.7
EBITDA margin	10.8%	4.8%
Net result for the year	-26.9	-64.9
Earnings per share in EUR	-0.83	-3.03
Cash flow from operating activities	120.7	-47.7
CAPEX	33.4	84.7

	31/03/2024	31/12/2023
Net financial debt	1,477.1	1,562.6
Adjusted equity ratio	32.7%	34.7%
Employees (full-time equivalents)	7,798	7,917

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About the Lenzing Group

The Lenzing Group stands for the ecologically responsible production of specialty fibers based on cellulose and recycled material. As an innovation leader, Lenzing is a partner to global textile and nonwoven manufacturers and drives many new technological developments. The Lenzing Group's high-quality fibers are the raw material for a wide range of textile applications – from functional, comfortable and fashionable clothing through to durable and sustainable home textiles. Thanks to their special properties and botanical origin, TÜV-certified biodegradable and compostable Lenzing fibers are also ideal for demanding use in everyday hygiene applications.

The Lenzing Group's business model extends far beyond that of a traditional fiber producer. Together with its customers and partners, Lenzing develops innovative products along the value chain, creating added value for consumers. The Lenzing Group strives for efficient utilization and processing of all raw materials and offers solutions for the transformation of the textile industry from the current linear economic system to a circular economy. In order to reduce the rate of global warming and thereby also support the goals of the Paris Agreement and the EU Commission's Green Deal, Lenzing has a clear, science-based climate action plan that aims for a significant reduction in greenhouse gas emissions by 2030, and a net-zero target (Scopes 1, 2 and 3) by 2050.

Key Facts & Figures Lenzing Group 2023

Revenue: EUR 2.52 bn

Nominal capacity (fibers): 1,110,000 tonnes

Number of employees (full-time equivalents): 7,917

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Disclaimer: The above key financial figures are derived primarily from the condensed consolidated interim financial statements and the consolidated financial statements of the previous year of the Lenzing Group. Additional details are provided in "Notes on the Financial Performance Indicators of the Lenzing Group", available at the following link <https://www.lenzing.com/notes-financial-performance-indicators-lenzing-group-2024-q1>, as well as in the condensed consolidated interim financial statements and in the Lenzing Group's prior-year consolidated financial statements. Rounding differences can occur in the presentation of rounded amounts and percentage rates.
