



**Lenzing**

Innovative by nature

Stand  
up!

**Against business  
as usual**

**Lenzing Investor Presentation**

Results 01-06/2020

August 5, 2020

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- Definition and further details on the calculation of financial key indicators can be derived from the Half-Year Report and the Annual Report. These reports are also available online on the website of the Lenzing Group [www.lenzing.com](http://www.lenzing.com) in the section "Investors".

# At a glance

## H1-2020 financial results

- Revenue of EUR 810mn (EUR 1,089mn in H1-2019)
  - Reflecting Covid-19 related price and demand weakness
- EBITDA of EUR 96.7mn (EUR 181.2mn in H1-2019)
- Net profit<sup>1)</sup> of EUR 1.5mn (EUR 78.8mn in H1-2019)

## Key developments

- Since February 2020 affected by Covid-19
- Ongoing focus to protect our people, partners and ensure business continuity
- Global pandemic weighs on textile fiber demand, but trigger higher demand for nonwoven fibers, which accounted for >50 % of Q2-2020 revenue
- Strategic growth projects remain on track, with financing for pulp expansion project in Brazil secured

1) Attributable to Lenzing AG shareholders

## 2020 guidance: Q2-2020 marked the trough, sequential improvement in coming quarters expected

- Still limited visibility due to Covid-19 pandemic
  - Since June 2020, textile fiber markets recover, but with varying regional price and demand momentum
  - Nonwoven fibers still benefit from increased hygiene awareness, albeit demand and pricing gradually normalize

## Focus areas

- Strengthen cost position & operational excellence
- Fully committed to expansion projects in Brazil and Thailand

# Covid-19: taking care of our people, partners and operations

## Protecting our people and business partners

- Close cooperation with authorities
- Home office rolled out globally, except for activities that require on-site presence.
- Restricted business travel and face-to-face meetings
- Optional garden leave for risk group and psychological assistance for employees
- Temperature checks at gates and hygiene guidance for all



## Measures taken to ensure business continuity

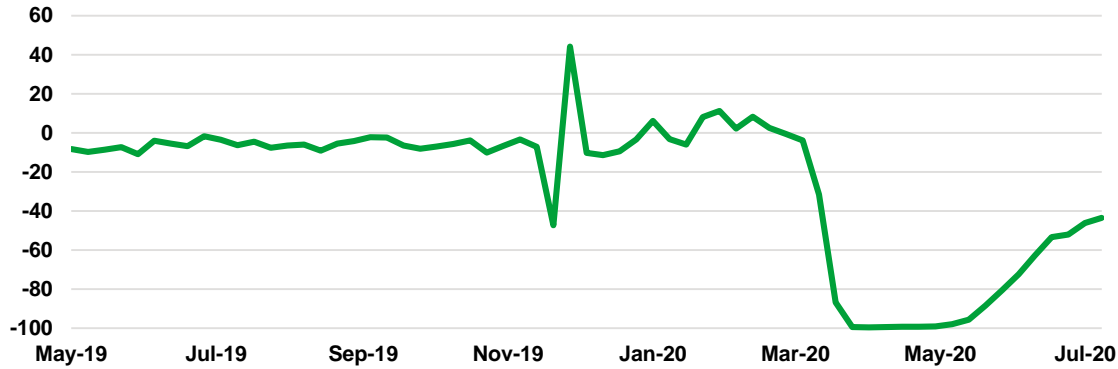
- Close interaction and cooperation with up- and downstream value chain partners to enhance visibility and facilitate production flexibility
- Stringent cost management
- Short-term work, flexible working hours and hiring freeze
- High liquidity position



Non-exhaustive lists

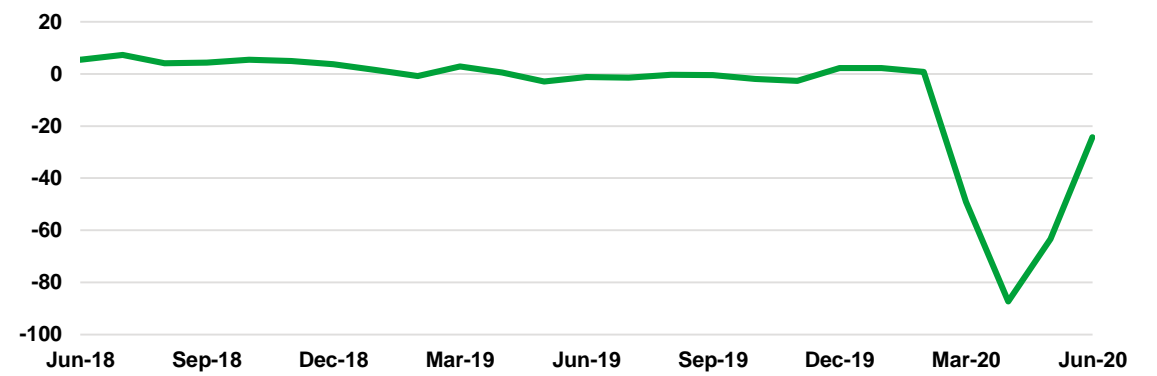
# Textile retail sales recover, but with regional differences

North America Apparel Retail Traffic (% YOY)



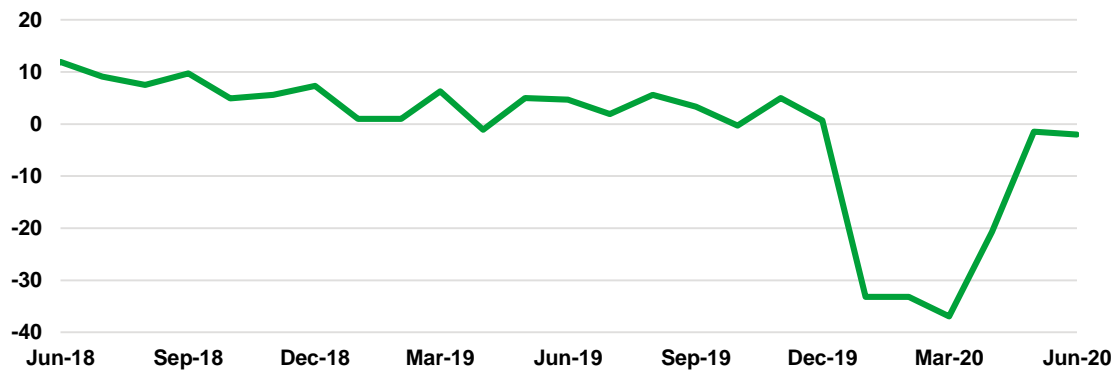
Source: Prodc Analytics

Retail Sales Clothing US (% YOY)



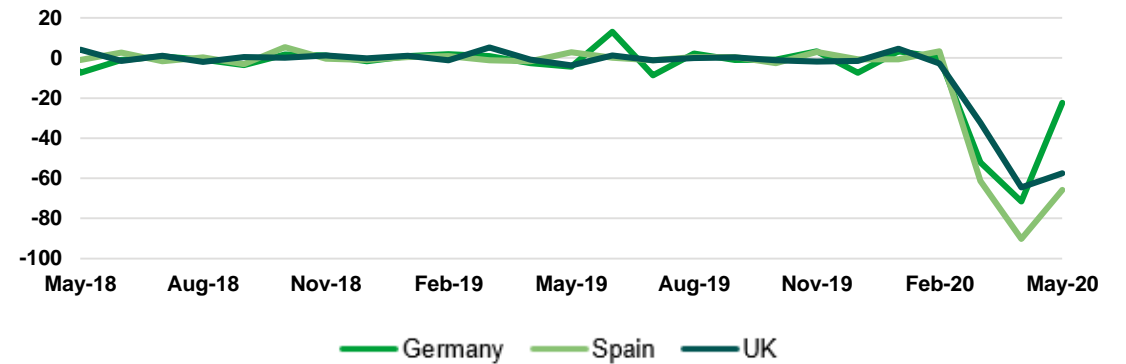
Source: US Census Bureau (via Lenzing Market Monitor) without online retail

Retail Sales Garments China (% YOY)



Source: National Bureau of Statistics of China (incl. online retail)

Retail Sales Textiles Europe (% YOY)

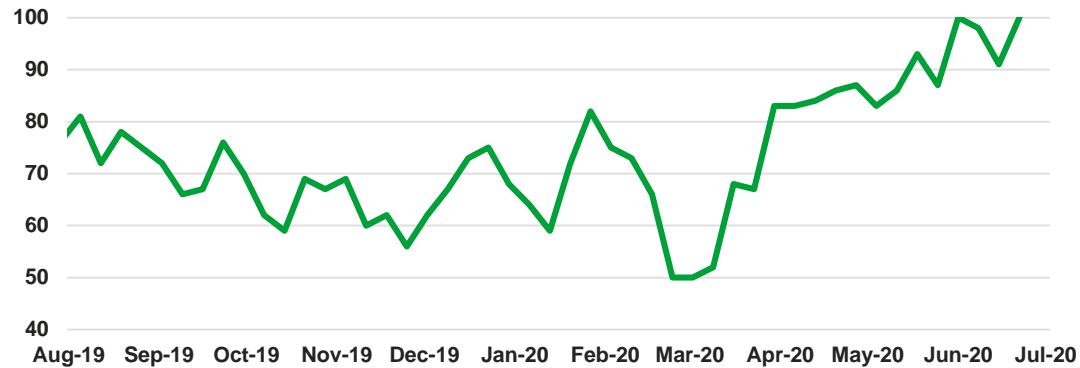


Source: Eurostat (without online retail)

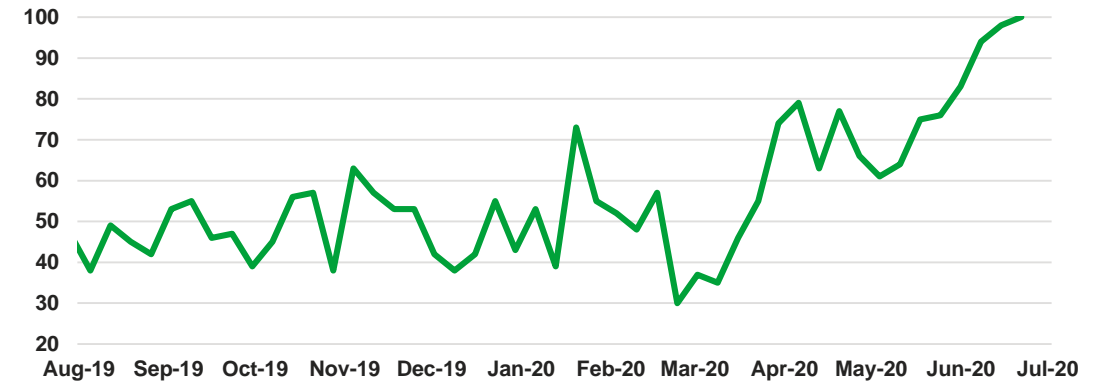


# Consumers look for TENCEL™ and “Sustainable Clothing”

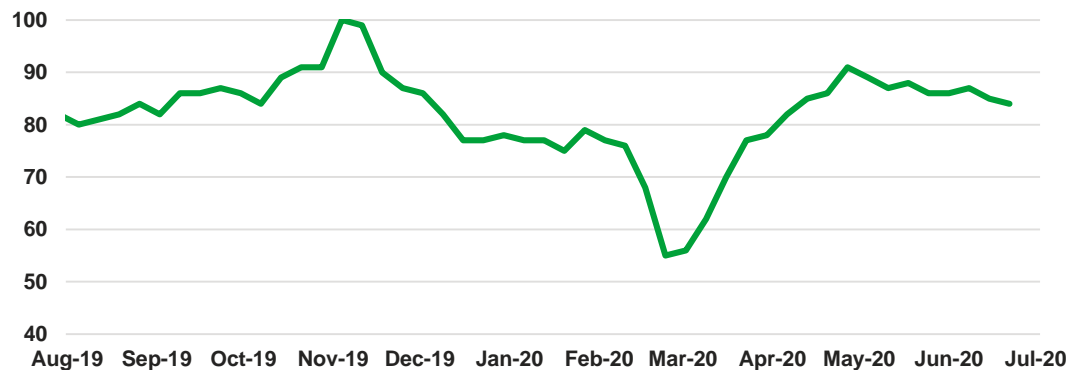
Google search volumes for TENCEL™



Google search volumes for “Sustainable clothing”



Google search volumes for “Clothing & Apparel”



Source: Google Trends; 100 = peak popularity

- Relevant online search activity and volumes already point to a looming recovery.
- Evidence suggests that consumers are more interested in “Sustainable Clothing”, with TENCEL™ enjoying peak popularity based on search volumes.

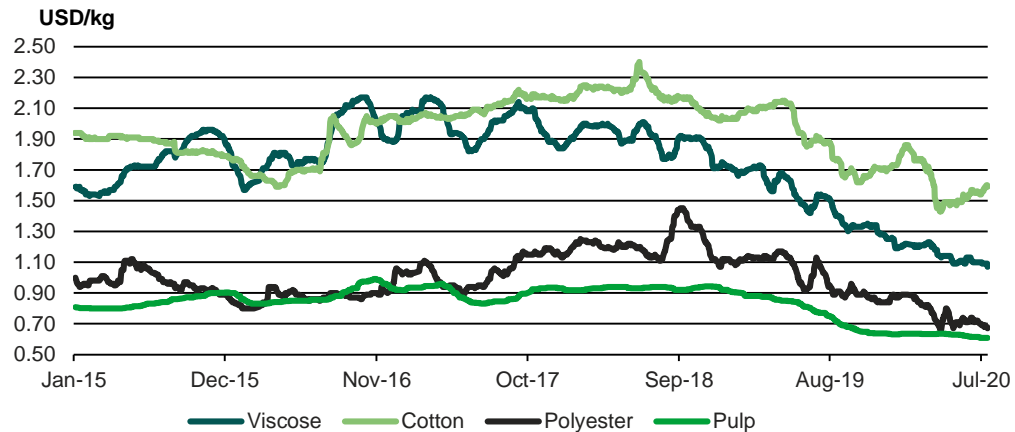
➔ **Further focus on TENCEL™ brand activation**

# Market update

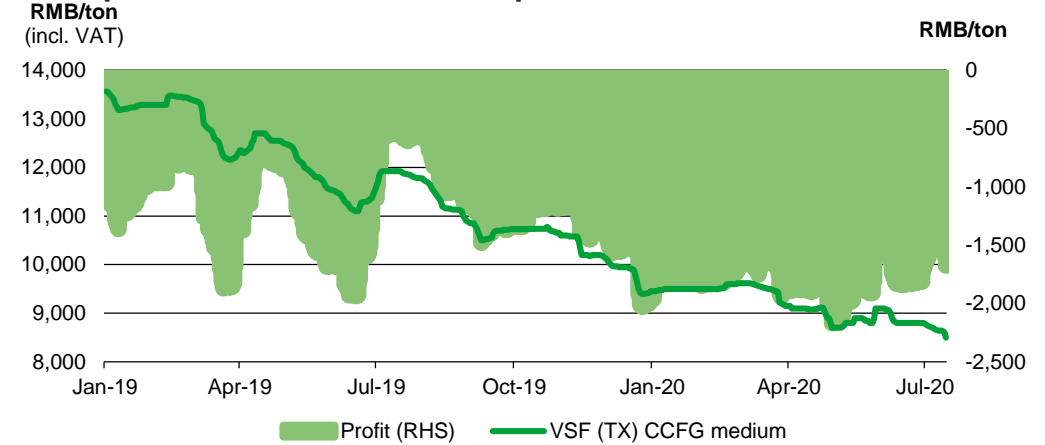


# Weak demand environment weighs on commodity prices

Cotton could escape the trend recently, VSF and PSF hit new lows



VSF<sup>1</sup> price trend and theoretical profit / loss in China



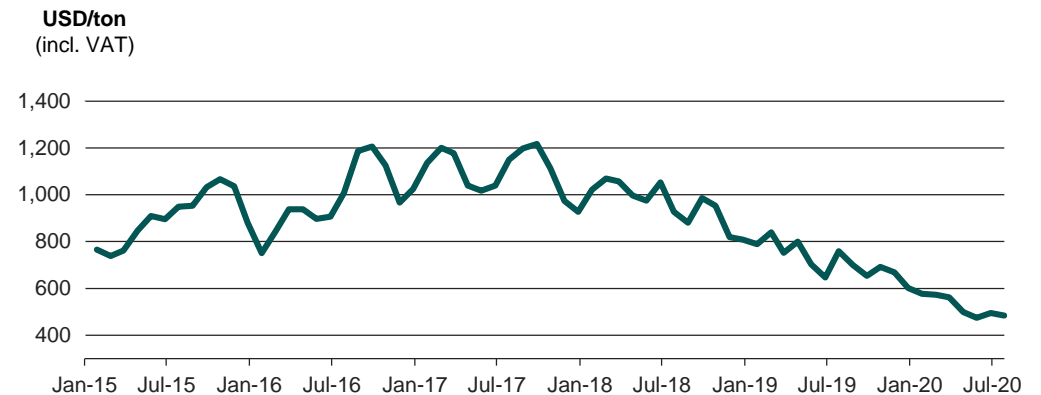
## Viscose

- Textile VSF prices remain under pressure; -30% YOY to ~CNY8,500/ton
- Nonwoven viscose benefits from increased hygiene product demand, with prices at ~CNY10,750/ton – but demand is gradually normalizing
- Operating rates in the VSF industry at ~69% remain below the long time average (5y avg. 83%)
- Still high VSF inventory with 36 days at fiber level (5y avg. 16 days)

## Competing fibers

- **Cotton:** Prices show strong dependence from developments in China-US relationship, actual USc68/lbs (Cotton A Index).
- **Polyester:** Problems on demand side and low intermediate costs led to falling PSF prices, now at ~CNY5,320/ton

## VSF<sup>2</sup> conversion margin at multi-year low



Source: China Chemical Fiber Group, CCA, CCFEI

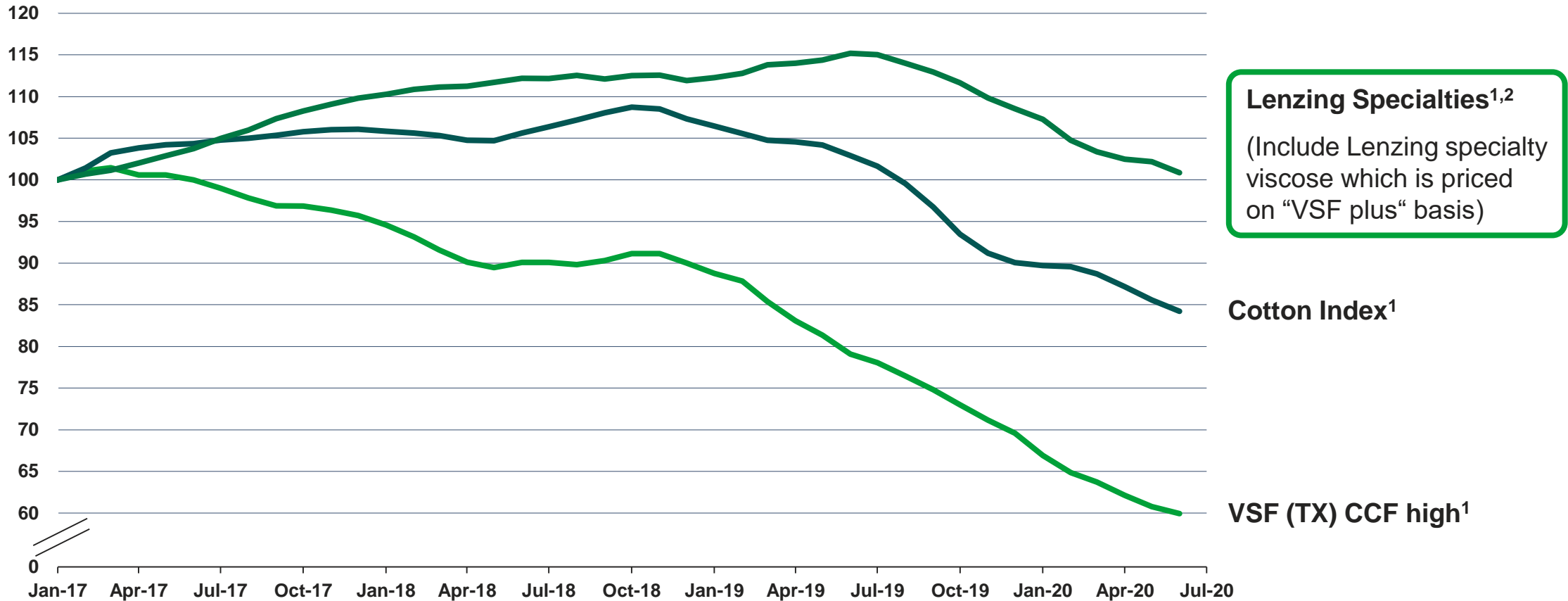
1) Standard viscose staple fibers, price development until July 15<sup>th</sup>, 2020

2) Conversion margin = VSF – imported hardwood dissolving pulp (DWP)

3) DWP is key input material; 1 ton of fiber (VSF, modal, lyocell) requires ~1 ton of DWP



# Specialty prices kept their relative premium to commodities



**Lenzing Specialties<sup>1,2</sup>**  
 (Include Lenzing specialty viscose which is priced on "VSF plus" basis)

**Cotton Index<sup>1</sup>**

**VSF (TX) CCF high<sup>1</sup>**

1) In China; 6M average in % from 01/2017 converted at constant FX rates  
 2) Lenzing's specialties: LENZING™ Lyocell, LENZING™ Modal, LENZING™ Specialty Viscose

# Expansion projects

# Pulp expansion project in Brazil on track

- JV LD Celulose (LDC): Lenzing holds 51 %, Duratex 49 %

## Key facts:

- 500 kt single line dissolving wood pulp mill  
→ **Largest of its kind**
- USD 1.38 bn industrial capex
- Cash costs of ~USD 300 per mt  
→ **Absolute cost leader**
- Expected start-up in H1/2022
- 44,000 ha FSC® certified wood supply secured<sup>1</sup>
- Duratex to contribute the biomass as contribution in kind to the JV

## Financing details:

- JV financing structure: 37 % equity, 63 % debt
- Debt guaranteed on pro-rata basis by sponsors

## Debt financing:

→ **Financing package finalized in Q2-2020**

## Total of USD 1.15 bn

- USD 500 mn tranche A by IFC and IDB
- USD 500 mn tranche B by commercial banks
- USD 147 mn by Finnvera



1) FSC license codes: FSC-C041246 (Lenzing), FSC-C006042 (Duratex)

# Construction diary – Brazil



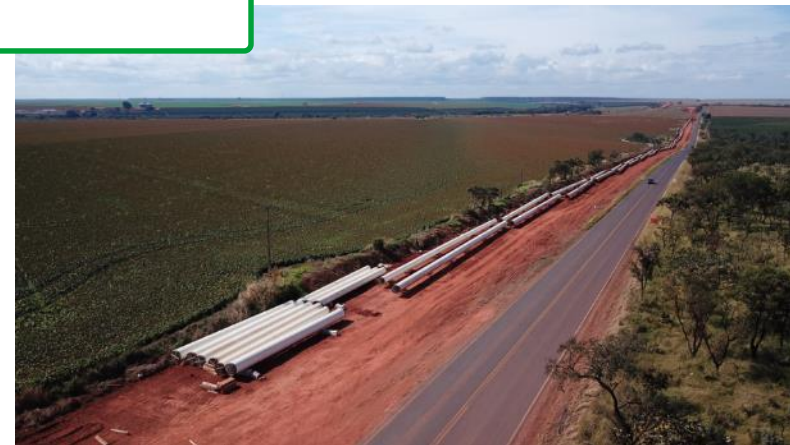
Overview construction site



Temporary offices



Temporary water and effluent treatment plant

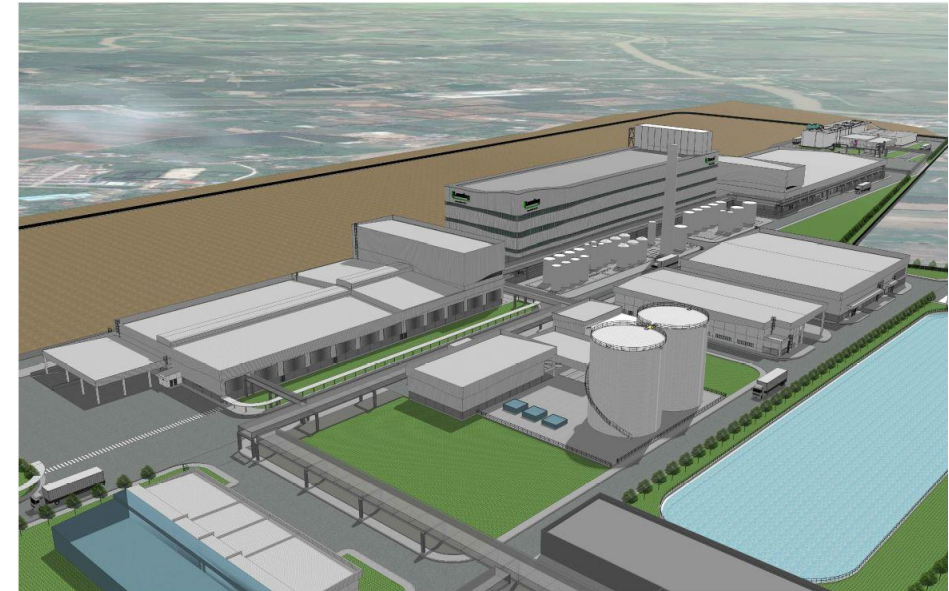


CAE pipeline

# Lyocell expansion project in Thailand fully on track

## Key facts:

- 100 kt lyocell fiber plant  
→ **Largest of its kind**
- EUR 400 mn industrial capex
- Project on time and within budget
- Ramp-up expected end of 2021
- Bioenergy secured
- Attractive tax incentive scheme





# Construction diary – Thailand





# Financials

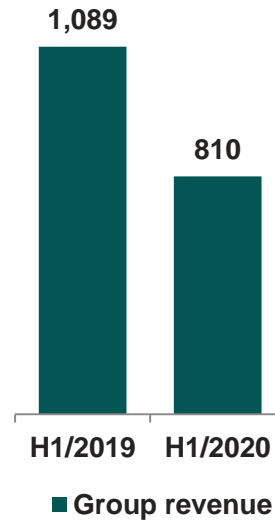
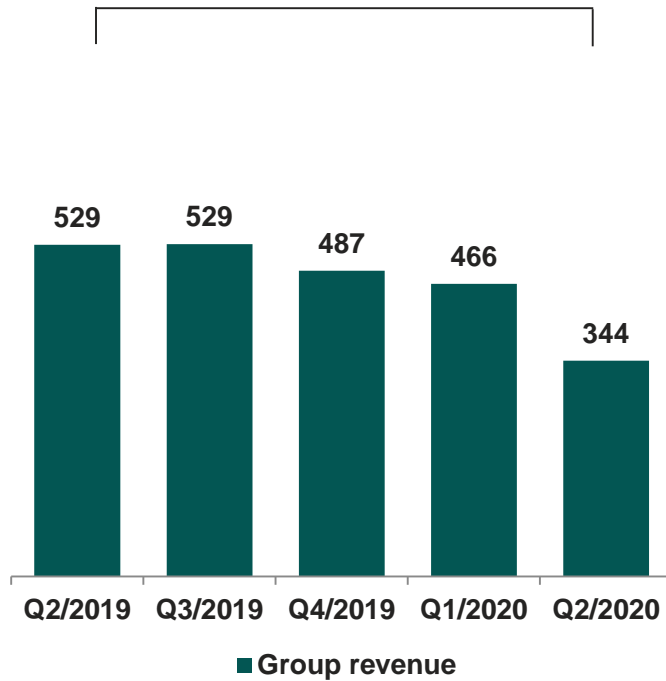


# P&L – Revenue

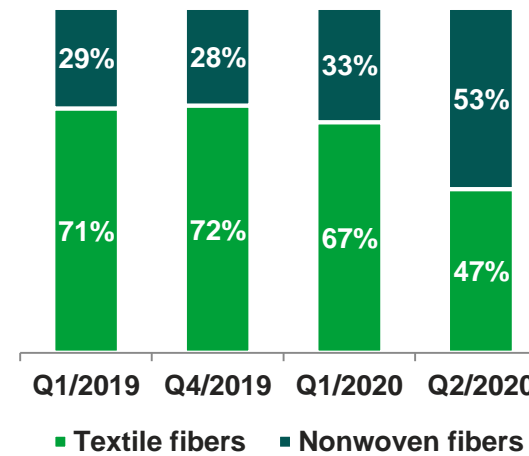
EUR mn

(34.9) %

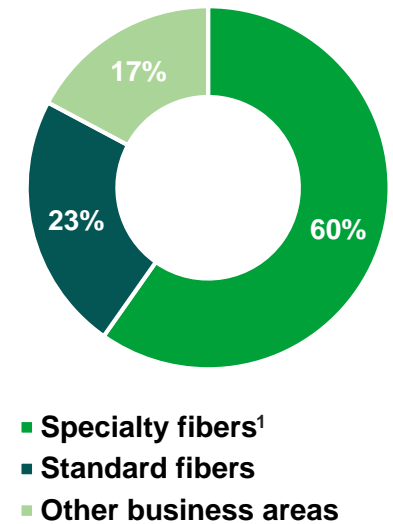
(25.6) %



Group revenue by application

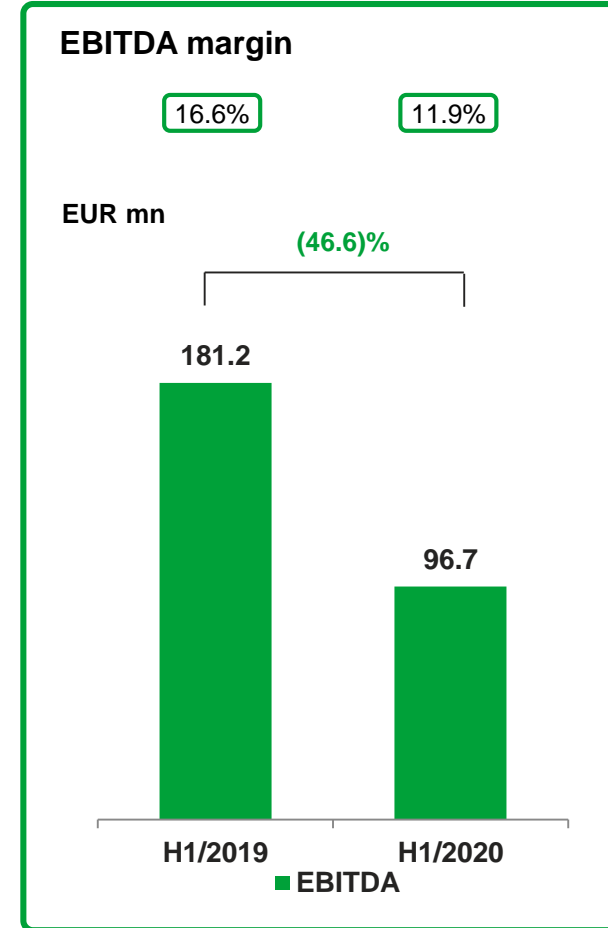
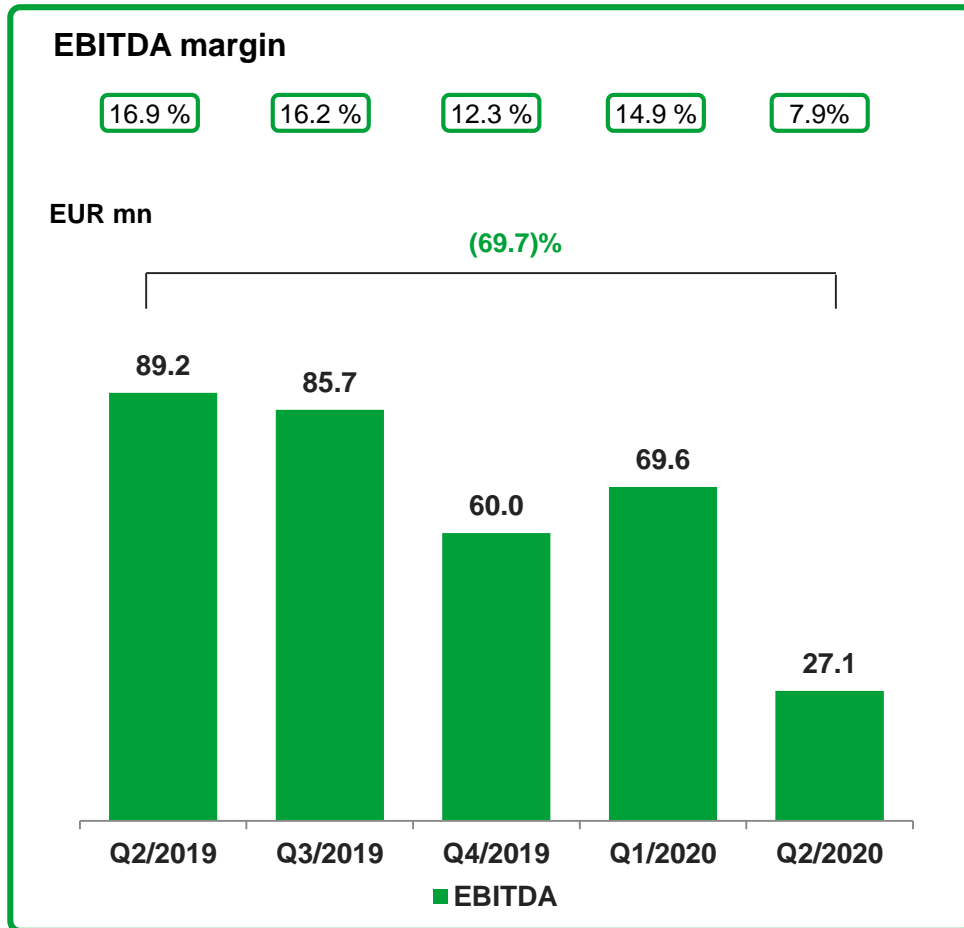


Group revenue by type H1/2020

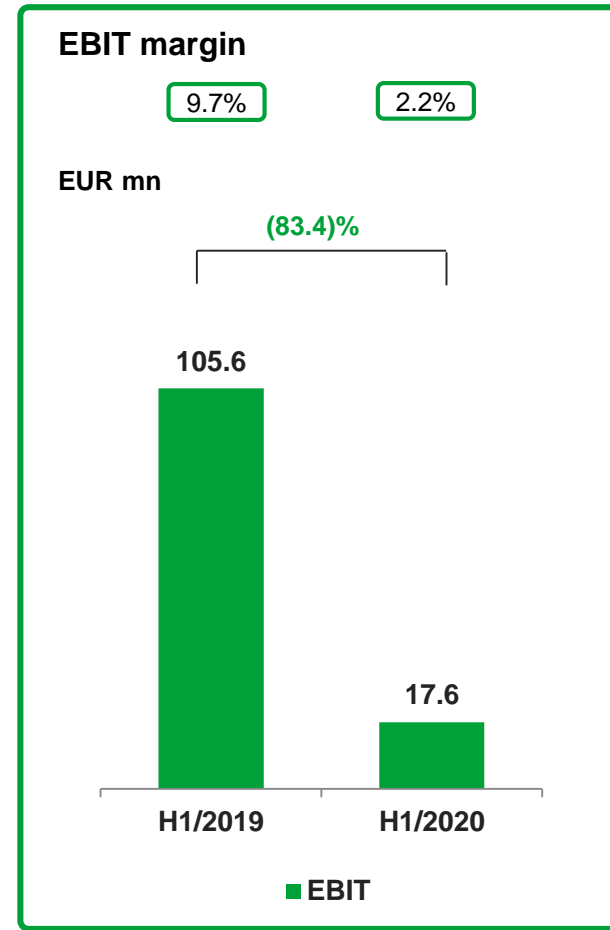
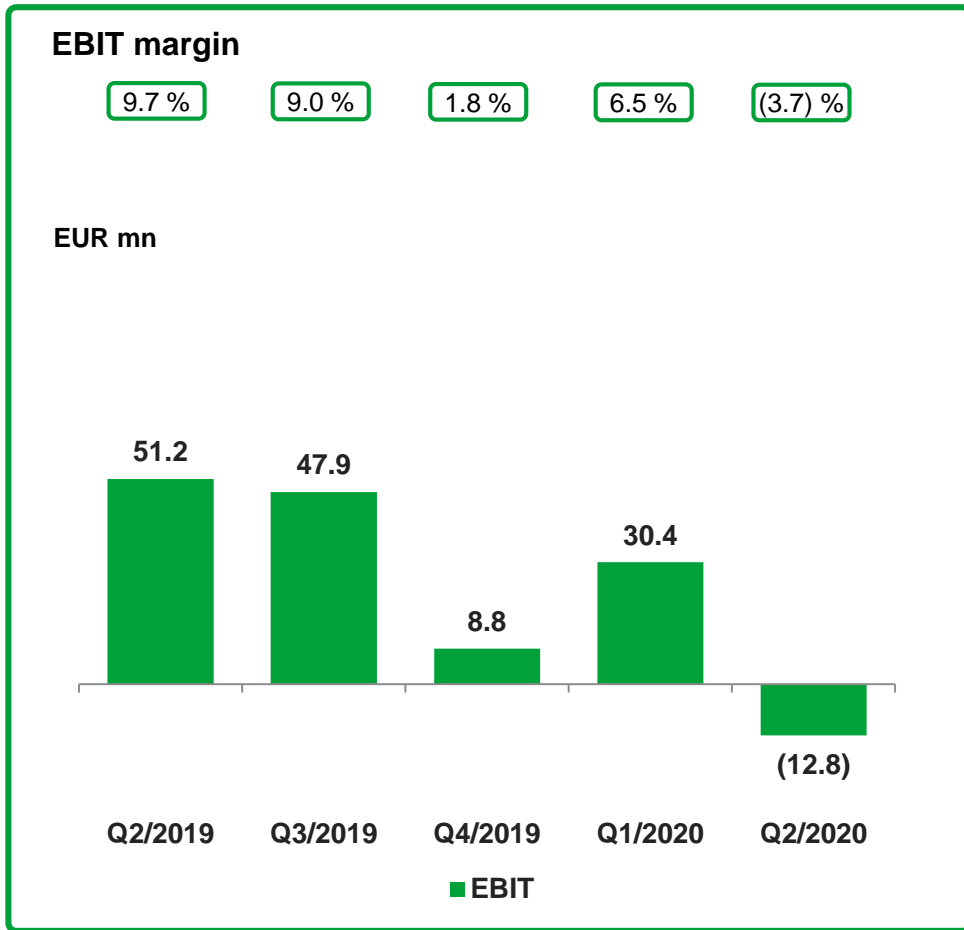


1) LENZING™ Lyocell, LENZING™ Modal, LENZING™ Specialty Viscose,

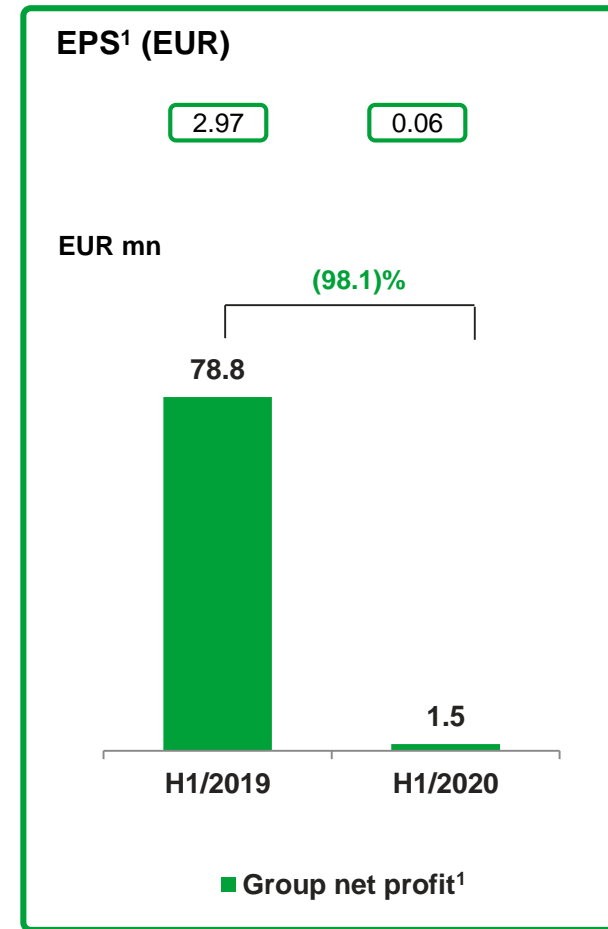
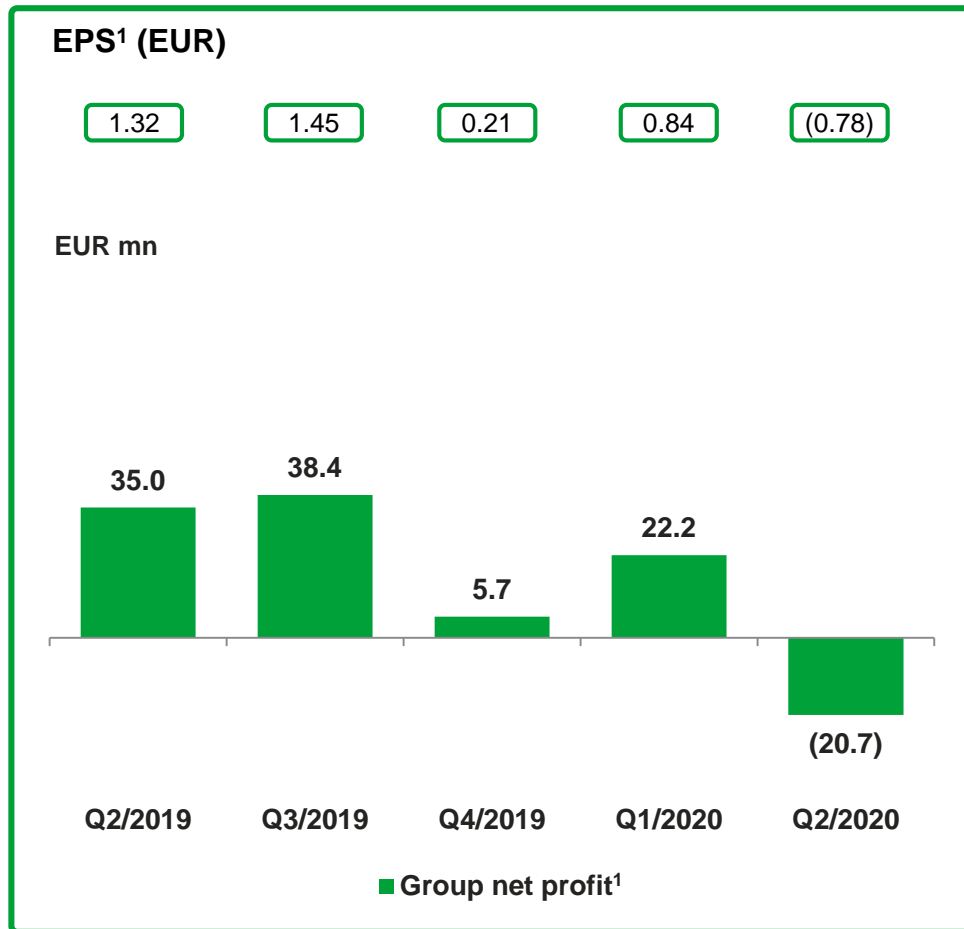
# P&L – EBITDA



# P&L – EBIT

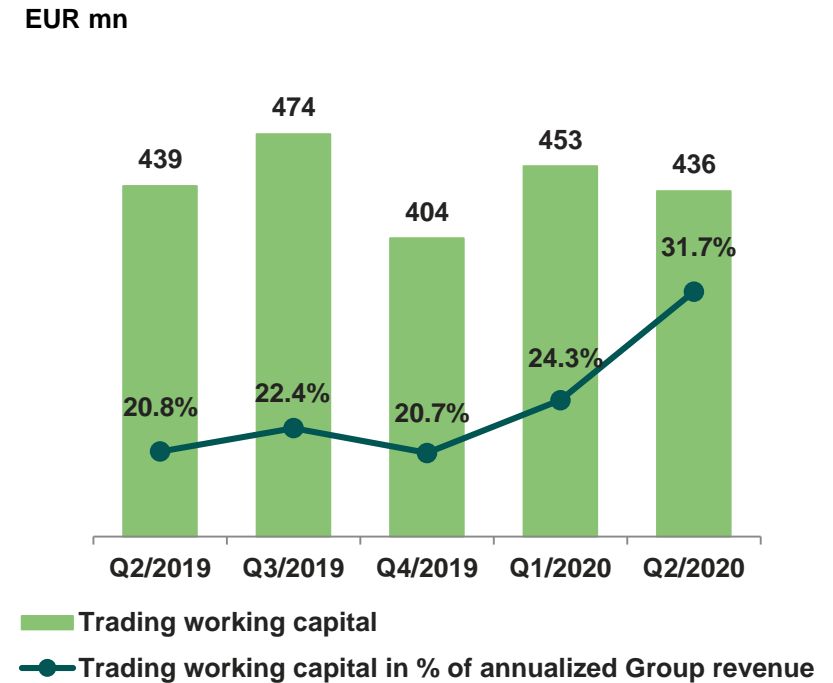
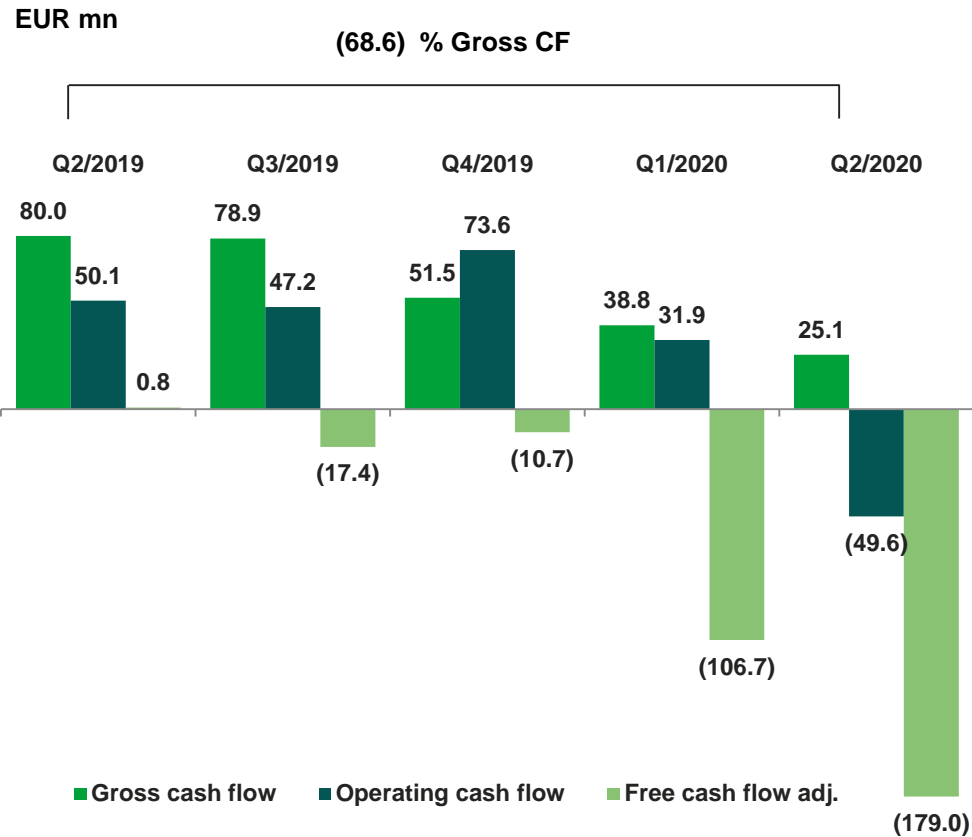


# P&L – Net profit and earnings per share



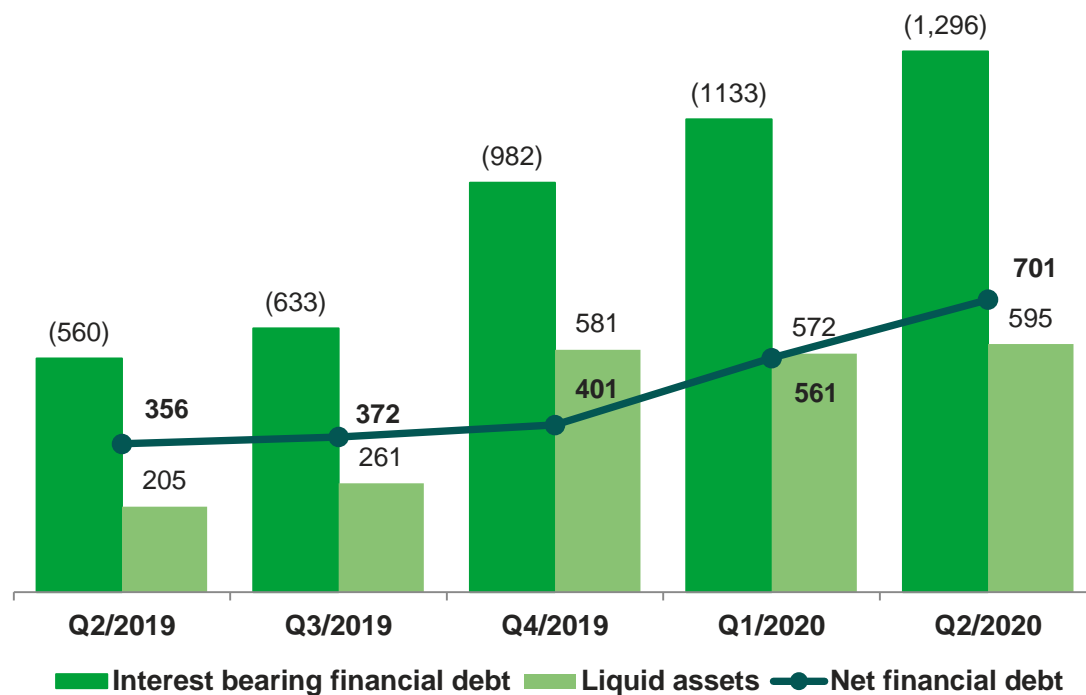
1) Attributable to Lenzing AG shareholders

# Quarterly cash flow and working capital development





# Balance sheet metrics



According to IFRS (EUR mn)	30 June 2020	31 Dec. 2019	Change in %
<b>Total assets</b>	3,433.5	3,121.1	10.0
<b>Liquid assets<sup>1</sup></b>	594.5	581.0	2.3
thereof liquid funds	588.1	571.5	2.9
<b>Total liabilities</b>	2,024.9	1,583.2	27.9
thereof financial liabilities	1,295.8	981.6	32.0
<b>Adjusted equity<sup>2</sup></b>	1,435.9	1,559.3	(7.9)
<b>Adjusted equity ratio (%)</b>	41.8	50.0	-
<b>Net gearing (%)</b>	48.8	25.7	-
<b>Net financial debt</b>	701.4	400.6	75.1

According to IFRS (EUR mn)	30 June 2020	31 Dec. 2019	Change in %
<b>Total liquidity cushion</b>	752.4	847.6	(11.2)
thereof liquid assets <sup>1</sup>	594.5	581.0	2.3
thereof unused credit facilities	157.9	266.6	(40.8)

1) Including cash and cash equivalents, liquid securities and liquid bills of exchange

2) Including government grants less proportional share of deferred taxes on government grants

# Outlook



# Outlook

## **2020 guidance: Q2-2020 marked the trough, sequential improvement in coming quarters expected**

- Currently very limited visibility due to Covid-19 pandemic
  - Textile fiber markets recover, but with heterogeneous price and demand momentum
  - Nonwoven fibers still benefit from increased hygiene awareness, albeit demand and pricing gradually normalize
- Challenging market environment to persist
  - Still relatively high inventory levels across supply chain
  - Most commodity prices trade at or around historic lows
  - Specialty fiber prices are more resilient, but affected by drop in textile demand
- Clear focus on strengthening of cost position and operational excellence
- Fully committed to expansion projects in Thailand and Brazil

Thank You

**for your  
attention!**

# Appendix



H1/2020 detailed financials

# H1/2020: Group P&L

(EUR mn)	Q2/2020	Q1/2020	Change Q2/Q1 (%)	Q2/2019	Change Q2/Q2 (%)	H1/2020	H1/2019	Change H1/H1 (%)
<b>Revenue</b>	<b>343.9</b>	<b>466.3</b>	<b>(26.2)</b>	<b>528.5</b>	<b>(34.9)</b>	<b>810.2</b>	<b>1,088.5</b>	<b>(25.6)</b>
Change in inventories of finished goods and work in progress	(7.1)	14.8	-	22.2	-	7.7	16.7	(53.9)
Own work capitalized	14.0	17.3	(18.9)	13.2	6.0	31.4	23.4	34.2
Other operating income	12.7	15.9	(19.6)	22.3	(42.8)	28.6	47.3	(39.5)
Gains or losses from the fair value measurement of biological assets	(5.8)	(3.3)	74.4	0.0	-	(9.2)	0.0	-
Cost of material and purchased services	(191.6)	(275.1)	(30.4)	(325.2)	(41.1)	(466.7)	(659.9)	(29.3)
Personnel expenses	(87.9)	(96.7)	(9.1)	(100.2)	(12.3)	(184.6)	(200.7)	(8.0)
Other operating expenses	(51.2)	(69.5)	(26.4)	(71.7)	(28.6)	(120.7)	(133.9)	(9.9)
<b>EBITDA/Margin</b>	<b>27.1/7.9%</b>	<b>69.6/14.9%</b>	<b>(61.1)</b>	<b>89.2/16.9%</b>	<b>(69.7)</b>	<b>96.7/11.9%</b>	<b>181.2/16.6%</b>	<b>(46.6)</b>
Depreciation & amortization	(40.3)	(39.7)	1.4	(38.7)	4.3	(80.1)	(77.0)	4.0
Income from the release of investment grants	0.5	0.5	(3.7)	0.7	(30.9)	1.0	1.4	(30.7)
<b>EBIT/Margin</b>	<b>(12.8)/(3.7)%</b>	<b>30.4/6.5%</b>	<b>-</b>	<b>51.2/9.7%</b>	<b>-</b>	<b>17.6/2.2%</b>	<b>105.6/9.7%</b>	<b>(83.4)</b>
Financial result	(6.3)	(1.7)	267.6	(2.2)	187.4	(8.0)	(3.0)	165.7
Allocation of profit or loss to puttable non-controlling interests	0.0	0.0	-	0.0	-	0.0	0.0	-
<b>EBT/Margin</b>	<b>(19.1)/(5.6)%</b>	<b>28.6/6.1%</b>	<b>-</b>	<b>49.0/9.3%</b>	<b>-</b>	<b>9.5/1.2%</b>	<b>102.6/9.4%</b>	<b>(90.7)</b>
Income tax expense	(13.0)	(10.9)	19.5	(15.0)	(13.2)	(24.0)	(25.8)	(7.2)
Tax rate (%)	-	38.1	-	30.6	-	-	25.2	-
<b>Net profit/loss / Margin</b>	<b>(32.1)/(9.3)%</b>	<b>17.7/3.8%</b>	<b>-</b>	<b>34.0/6.4%</b>	<b>-</b>	<b>(14.4)/(1.8)%</b>	<b>76.8/7.1%</b>	<b>-</b>
<b>Net profit/loss attributable to shareholders of Lenzing AG / Margin</b>	<b>(20.7)/(6.0)%</b>	<b>22.2/4.8%</b>	<b>-</b>	<b>35.0/6.6%</b>	<b>-</b>	<b>1.5/0.2%</b>	<b>78.8/7.2%</b>	<b>(98.1)</b>
<b>EPS (in EUR)</b>	<b>(0.78)</b>	<b>0.84</b>	<b>-</b>	<b>1.32</b>	<b>-</b>	<b>0.06</b>	<b>2.97</b>	<b>(98.1)</b>



# H1/2020: Topline breakdown

(EUR mn)	Q2/2020	Q1/2020	Change Q2/Q1 (%)	Q2/2019	Change Q2/Q2 (%)	H1/2020	H1/2019	Change H1/H1 (%)
<b>Breakdown of Fibers segment revenue</b>								
Textile fibers (%)	47.5	66.9	(29.0)	69.8	(31.9)	57.2	70.3	(18.6)
Nonwoven fibers (%)	52.5	33.1	58.6	30.2	73.8	42.8	29.7	44.1
<b>Fibers only</b>	<b>275.1</b>	<b>389.5</b>	<b>(29.4)</b>	<b>444.0</b>	<b>(38.0)</b>	<b>664.7</b>	<b>908.1</b>	<b>(26.8)</b>
Other <sup>1</sup>	66.5	73.8	(9.9)	82.4	(19.3)	140.2	176.1	(20.4)
<b>Total segment Fibers</b>	<b>341.6</b>	<b>463.3</b>	<b>(26.3)</b>	<b>526.3</b>	<b>(35.1)</b>	<b>804.9</b>	<b>1,084.2</b>	<b>(25.8)</b>
<b>Total segment Lenzing Technik</b>	<b>6.1</b>	<b>8.2</b>	<b>(25.9)</b>	<b>6.4</b>	<b>(4.9)</b>	<b>14.2</b>	<b>12.8</b>	<b>11.3</b>
<b>Other and consolidation</b>	<b>(3.7)</b>	<b>(5.2)</b>	<b>(27.8)</b>	<b>(4.2)</b>	<b>(10.2)</b>	<b>(8.9)</b>	<b>(8.5)</b>	<b>5.6</b>
<b>Total Group revenue</b>	<b>343.9</b>	<b>466.3</b>	<b>(26.2)</b>	<b>528.5</b>	<b>(34.9)</b>	<b>810.2</b>	<b>1,088.5</b>	<b>(25.6)</b>

1) Includes sales of sodium sulfate and black liquor, external sales of dissolving wood pulp, wood and energy

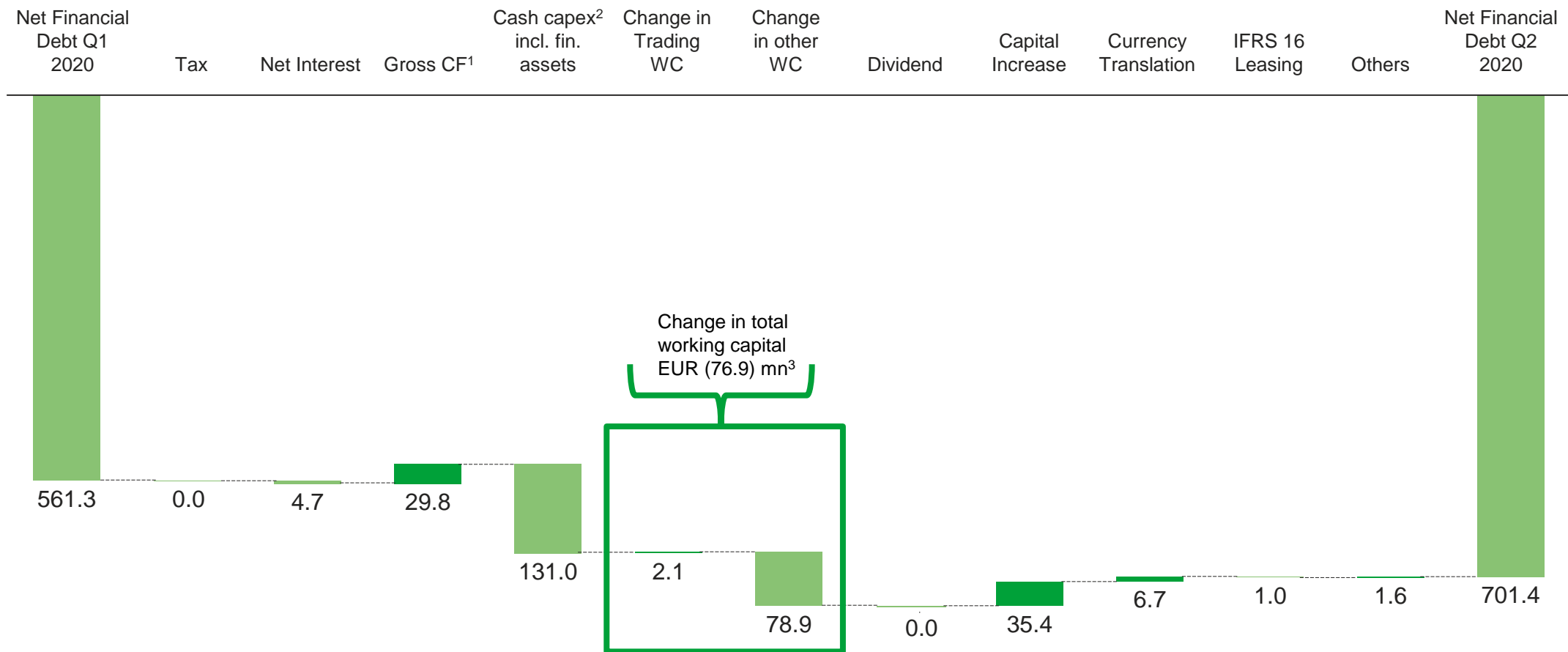
# H1/2020: Cash flow development

(EUR mn)	Q2/2020	Q1/2020	Change Q2/Q1 (%)	Q2/2019	Change Q2/Q2 (%)	H1/2020	H1/2019	Change H1/H1 (%)
Gross cash flow (before taxes and interest)	29.8	52.6	(43.4)	99.4	(70.1)	82.3	199.0	(58.6)
Taxes and interest	(4.7)	(13.8)	(66.3)	(19.4)	(76.0)	(18.5)	(35.4)	(47.8)
<b>Gross cash flow (after taxes and interest)</b>	<b>25.1</b>	<b>38.8</b>	<b>(35.3)</b>	<b>80.0</b>	<b>(68.6)</b>	<b>63.9</b>	<b>163.6</b>	<b>(61.0)</b>
Change in total working capital <sup>1</sup>	(74.7)	(6.9)	985.6	(29.9)	150.2	(81.6)	(39.9)	104.6
<b>Operating cash flow</b>	<b>(49.6)</b>	<b>31.9</b>	-	<b>50.1</b>	-	<b>(17.7)</b>	<b>123.8</b>	-
Investment cash flow <sup>2</sup>	(130.0)	(137.9)	(5.7)	(49.4)	163.4	(267.9)	(92.1)	190.9
<b>Free cash flow unadj.</b>	<b>(179.6)</b>	<b>(106.0)</b>	<b>69.4</b>	<b>0.8</b>	-	<b>(285.6)</b>	<b>31.7</b>	-
Net inflow from sale of subsidiary	0.0	0.0	-	0.0	-	0.0	0.0	-
Acquisition of other financial assets	0.9	0.2	371.7	0.3	208.1	1.1	0.4	160.2
Proceeds/repayments of other financial assets	(0.3)	(0.9)	(68.1)	(0.2)	25.5	(1.2)	(3.3)	(63.2)
<b>Free cash flow adj.</b>	<b>(179.0)</b>	<b>(106.7)</b>	<b>67.7</b>	<b>0.8</b>	-	<b>(285.7)</b>	<b>28.8</b>	-

1) Including trade and other working capital

2) Including investment in and proceeds from disposal of financial assets

# Q2/2020: Net debt bridge



1) Gross cash flow before taxes and interest

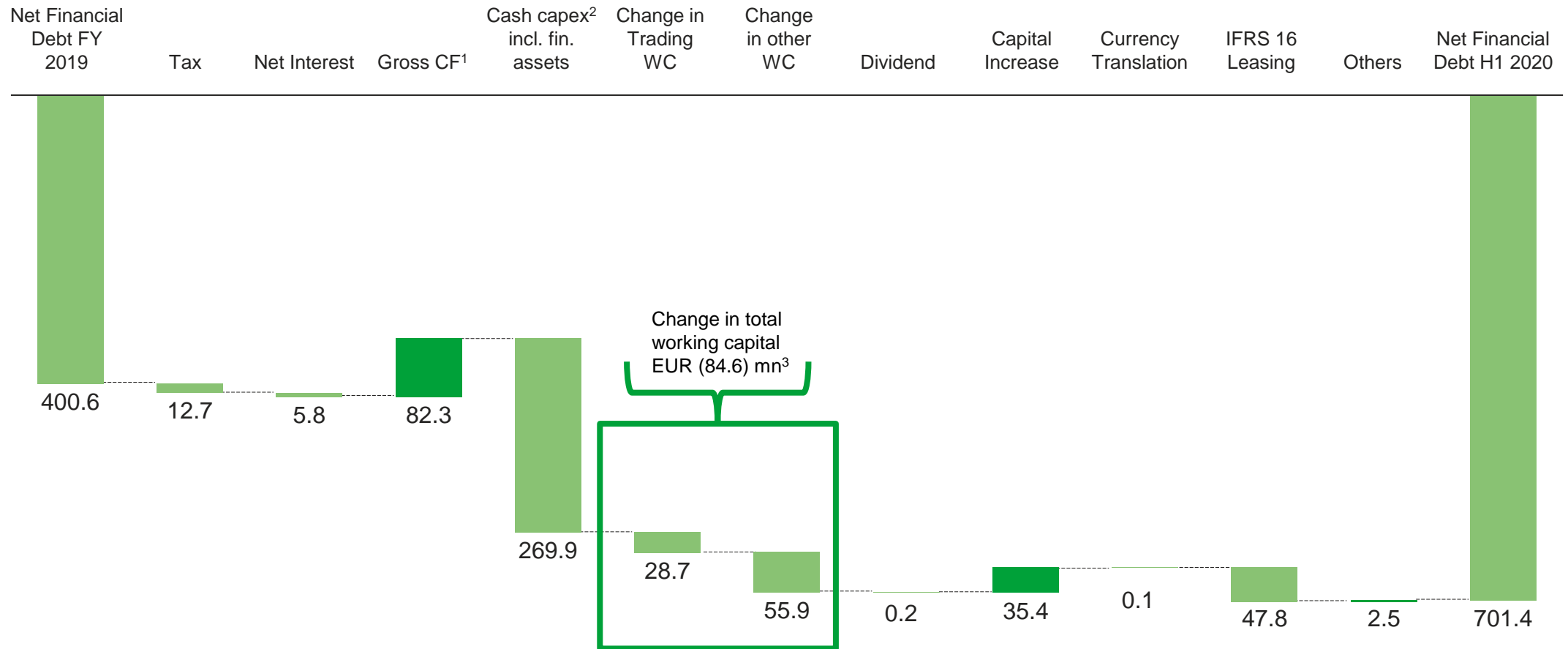
2) Including CAPEX of EUR (130.1) mn and financial assets of EUR (0.9) mn

3) Change in total working capital EUR (74.7) mn (according to cash flow statement)

Adjustment change in liquid bills of exchange EUR (2.1) mn

Change in total working capital adj. EUR (76.9) mn (according to net debt)

# H1/2020: Net debt bridge



- 1) Gross cash flow before taxes and interest
- 2) Including CAPEX of EUR (268.7) mn and financial assets of EUR (1.1) mn
- 3) Change in total working capital EUR (81.6) mn (according to cash flow statement)
- Adjustment change in liquid bills of exchange EUR (3.0) mn
- Change in total working capital adj. EUR (84.6) mn (according to net debt)

# Contact and financial calendar

## Investor contact

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## Visit our IR website

<https://www.lenzing.com/investors/>

## Visit our SRI sites

<https://www.lenzing.com/en/sustainability>  
<https://www.lenzing.com/en/sustainability-reports>

## Financial calendar

Half-year results 2020	August 5, 2020
Results 01-09/2020	November 4, 2020
Annual results 2020	March 11, 2021
77 <sup>th</sup> Annual General Meeting	April 14, 2021
Results 01-03/2021	May 5, 2021
Half-year results 2021	August 4, 2021
Results 01-09/2021	November 3, 2021

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