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Negative market environment strongly impacts 2023 earnings – implementation of performance program exceeds plan

- Revenue of EUR 2.52 bn in 2023, EBITDA of EUR 303.3 mn
- EBIT and earnings after tax impacted by non-cash impairment losses of EUR 464.9 mn
- Implementation of performance program with a focus on positive free cash flow, stronger revenue and margin growth, as well as sustainable cost excellence exceeds plan
- Positive free cash flow in second half of the year, liquidity up significantly to EUR 731 mn
- Lenzing receives top ratings from CDP, EcoVadis and MSCI again

Lenzing – Very subdued demand on the one hand and the continued rise in raw material and energy costs on the other exerted a strongly negative impact on the earnings of the Lenzing Group, a leading global producer of regenerated cellulosic fibers for the textile and nonwovens industries, in the 2023 financial year. The largely absent recovery in the textile and clothing industry had a negative impact across the entire sector.

Taking persistently low fiber prices into consideration, revenue remained comparatively stable at EUR 2.52 bn (compared with EUR 2.57 bn in 2022). Prices for wood-based specialty fibers were also down slightly due to weaker demand, particularly from brands and retailers, as well as additional market capacity. The price premium commanded by the TENCEL™, LENZING™ ECOVERO™, and VEOCEL™ brands proved to be resilient. Revenues generated with dissolving wood pulp as well as biorefinery and co-products grew during the reporting year.

Earnings before interest, tax, depreciation and amortization (EBITDA) rose by 25.4 percent year-on-year to reach EUR 303.3 mn in the reporting year. Earnings before interest and tax (EBIT) stood at minus EUR 476.4 mn (compared with EUR 16.5 mn in 2022) due to non-cash impairment losses of EUR 464.9 mn as a consequence of the ongoing uncertainties in the economic environment and higher discount rates in line with the change in the interest rate environment. Earnings after tax amounted to minus EUR 593 mn (compared with minus EUR 37.2 mn in 2022) and earnings per share to minus EUR 20.02 (compared with minus EUR 2.75 in 2022).

“The anticipated recovery of markets relevant to the Lenzing Group has failed to materialize to date. Subdued demand and the still sharply increased raw material and energy costs have led to a result in 2023 that we are not satisfied with,” notes Stephan Sielaff, Chief Executive Officer of the Lenzing Group. “This makes the measures we have taken decisively and at an early stage to keep Lenzing on track and further boost its resilience to crises all the more significant.”

The implementation of the performance program is exceeding plan. The program initiatives are primarily aimed at improving EBITDA and at generating free cash flow through stronger revenue and margin growth, as well as sustainable cost excellence. In addition to the clearly positive effects at the revenue level, the Managing Board expects annual cost savings in excess of EUR 100 mn, of which well over 50 percent will be effective from the current financial year onwards.

Nico Reiner, Lenzing Group CFO, adds: “This performance program is a powerful instrument to tackle the current economic challenges and enhance Lenzing’s resilience to crises. We are very satisfied with how the program has unfolded so far. The cash flow trend in the second half of the year shows that these measures are taking effect.”

In the third and fourth quarters of 2023, Lenzing generated positive free cash flow of EUR 27.3 mn and EUR 15.4 mn respectively (compared with minus EUR 132.3 mn in the first quarter and minus EUR 33.1 mn in the second quarter of 2023).

Capital expenditure on intangible assets, property, plant and equipment, and on biological assets (CAPEX) amounted to EUR 283.6 mn in the reporting year (compared with EUR 698.9 mn in 2022). Compared with December 31, 2022, the liquidity position was up by 61.3 percent to EUR 731 mn as of December 31, 2023, reflecting the capital increase and the extension of the loan terms.

Further progress achieved with “Better Growth”

The implementation of the “Better Growth” corporate strategy continued in the reporting year. This strategy aims to better serve the structurally growing demand for environmentally responsible and high-quality specialty fibers under the TENCEL™, LENZING™ ECOVERO™, and VEOCEL™ brands, among other objectives.

Following the successful conversion of a production line in Nanjing (China) in the first quarter, Lenzing also completed its conversion and modernization measures in Purwakarta (Indonesia) in the third quarter of the reporting year, with the aim of re-equipping for specialty viscose and of significantly reducing specific emissions. The viscose fibers produced at the site under the LENZING™ ECOVERO™ brand, including the innovative

LENZING™ ECOVERO™ Black fibers, and VEOCEL™, are labeled with the EU Ecolabel,¹ an internationally recognized eco label for environmentally responsible products and services.

This enables Lenzing to generate 100 percent of its fiber revenue with specialty fibers under the TENCEL™, LENZING™ ECOVERO™, and VEOCEL™ brands.

“Sustainability champion”

In 2023, Lenzing was once again recognized by the most renowned rating agencies and organizations for its achievements in the sustainability area, and the high degree of transparency in its reporting. For the third consecutive year, Lenzing was ranked in all categories on the annual “A list” compiled and published by CDP, a global non-profit environmental organization. As a consequence, Lenzing is one of only ten companies worldwide to receive a triple “A” ranking – out of over 21,000 companies rated. Lenzing was again awarded Platinum Status in the EcoVadis CSR rating. Lenzing thereby ranks in the top one percent of companies worldwide rated by EcoVadis. MSCI awarded Lenzing a “AA” rating for the third consecutive time, placing the company among the top eight percent of rated companies in its peer group.

Lenzing also enhanced its brands’ visibility in 2023 through targeted marketing measures. In the global awareness ranking, the TENCEL™ brand once again achieved a strong leading position among Ingredient Brands in the textile and clothing industry.

Outlook

Although the IMF has upgraded its growth forecast for 2024 from 2.9 percent to 3.1 percent, a number of risks for the global economy continue to exist: potential geopolitical shocks, persistently higher inflation, and higher key interest rates, as well as market risks emanating from the Chinese real estate market are currently considered to be the most relevant.

Many consumers are continuing to suffer from general inflation and diminishing incomes in real terms, which is having 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 the regions relevant to Lenzing.

¹ The EU Ecolabel is recognized by all member states of the European Union as well as Norway, Liechtenstein, and Iceland. Introduced in 1992 by EU Regulation (EEC) No. 880/92, the voluntary label has gradually developed into a reference point for consumers who wish to contribute to a reduced environmental impact by purchasing more environmentally responsible products and services.

In the trend-setting market for cotton, the current 2023/2024 crop season is signaling a further 0.8 mn tonnes of stock build-up, according to preliminary estimates, following 1.3 mn tonnes of stock build-up in the previous season.

Earnings visibility remains limited overall.

Lenzing is ahead of schedule with the implementation of its performance program focused on positive free cash flow, strengthened revenue and margin growth, as well as sustainable cost excellence. The overarching goal is to position Lenzing on an even stronger foundation, and to further enhance its crisis resilience.

Structurally, Lenzing continues to anticipate growth in demand for environmentally responsible fibers for the textile and clothing industry as well as for 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.

Taking the aforementioned factors into account, the Lenzing Group expects EBITDA for the 2024 financial year to be higher than in the previous year.

Selected indicators of the Lenzing Group		
EUR mn	2023	2022
Revenue	2,521.2	2,565.7
EBITDA (earnings before interest, tax, depreciation and amortization)	303.3	241.9
EBITDA margin	12.0 %	9.4 %
Net result for the year	-593.0	-37.2
Earnings per share in EUR	-20.02	-2.75
Cash flow from operating activities	160.3	-43.2
CAPEX	283.6	698.9
	31/12/2023	31/12/2022
Net financial debt ¹	1,562.6	1,799.4
Adjusted equity ratio	34.7 %	37.8 %
Employees (full-time equivalents) ²	7,917	7,931

1) Since the second quarter of the 2023 financial year, net financial debt has been presented excluding lease liabilities (see the annex to the management report "Notes on the financial performance indicators of the Lenzing Group").

2) Since the third quarter of the 2023 financial year, the number of employees has been reported on the basis of full-time equivalents. Until the third quarter of the 2023 financial year, these figures were based on the number of individuals.

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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 of 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 conventional 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

Employees (full-time equivalents): 7,917

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