

Troax Group AB (publ)
Hillerstorp, the 23rd of April 2020

FOR A SAFER TOMORROW



FOR US SAFETY IS ABOUT BEING ONE STEP AHEAD. WE TEST OUR PRODUCTS TO ENSURE HIGHEST QUALITY AND SAFETY TO BE ABLE TO OFFER THE BEST ON THE MARKET REGARDLESS WHAT YOUR SAFETY NEEDS ARE, WE CREATE SOLUTIONS TO MEET YOUR REQUESTS AND NEEDS FOR A SAFER TOMORROW.

ABOUT TROAX

Troax is the leading global supplier of indoor perimeter protection (“metal-based mesh panel solutions”) for the market segments: Machine guarding, Warehouse partitioning and Property protection.

Troax develops high quality and innovative safety solutions to protect people, property and processes.

Troax Group AB (publ), Reg. No. 556916-4030, has a global organisation with an unparalleled sales force and efficient logistics setup, enabling local presence and short delivery times in 42 countries. In 2019 Troax net sales amounted to around 168 MEUR and the number of employees amounted to about 700 persons. The Company’s head office is located in Hillerstorp, Sweden.
www.troax.com

INTERIM REPORT JANUARY-MARCH 2020

JANUARY - MARCH

- Order intake increased organically by 12 percent to 44,6 (39,7) MEUR. Adjusted for currency the increase was 12 percent.
- Sales increased organically by 4 percent to 40,8 (39,1) MEUR. Adjusted for currency the increase was 4 percent.
- Operating profit increased to 6,5 (5,9) MEUR.
- Operating margin increased to 15,9 (15,1) percent.
- Financial net was -0,2 (-0,3) MEUR.
- Profit after tax increased to 4,8 (4,3) MEUR.
- Earnings per share after dilution amounted to 0,08 (0,07) EUR based on 60 000 000 shares regarding both periods. (a split 3:1 was carried out in June 2019).
- Due to the great uncertainty about how the Corona pandemic will affect the company, the Board has decided to postpone the Annual General Meeting until June 25th. The decision has been made to give the Board additional time to evaluate what impact the Corona pandemic will have on the company's market and liquidity situation and whether there is reason to change the earlier dividend decision.

TROAX GROUP FIGURES

MEUR	3 Months	3 Months	12 Months	12 Months	12 Months
	Jan-Mar	Jan-Mar	Jan-Dec	Jan-Dec	Apr-Mar
	2020	2019	2019	2018	2019/2020
Order intake	44,6	39,7	168,1	165,0	173,0
Sales	40,8	39,1	168,0	161,0	169,7
Gross profit	15,3	14,5	67,1	63,6	67,9
Gross margin, %	37,5	37,1	39,9	39,5	40,0
Operating profit	6,5	5,9	32,9	32,8	33,5
Operating margin, %	15,9	15,1	19,6	20,4	19,7
Profit after tax	4,8	4,3	24,3	24,4	24,8
EBITDA 1)	8,3	7,3	38,9	35,6	39,9
EBITDA margin, % 1)	20,3	18,7	23,2	22,1	23,5
Net debt / EBITDA			1,3	1,3	
Earnings per share after dilution in EUR 2)	0,08	0,07	0,41	0,41	0,41
Closing rate SEK/EUR	11,08	10,42	10,45	10,29	10,65
Earnings per share after dilution in SEK. 2,3)	0,89	0,75	4,23	4,18	4,40

1) The 2019 and 2020 numbers are impacted by IFRS 16 (0,7-0,8 MEUR per quarter in decreased leasing costs).

2) Earnings per share for all periods is calculated based on 60 000 00 shares after the split 3:1 on June 19th 2019

3) Earnings per share after dilution in SEK, is calculated based on result in Euro at Closing rate SEK/EUR.

CEO COMMENTS

Troax increased order intake by 12% during a very turbulent quarter. Despite being confronted, towards the end of the quarter, with a shrinking market, Troax still managed to take some major project orders, which counteracted the downturn. Troax is late in the business cycle and is therefore less affected, than many other industries, by the problems of reduced demand due to Corona Virus. In general, it was 'business as usual' during January and February, whereas the crisis struck with full force during the month of March. Order intake may be characterized as strong and a good cushion for the decrease in order intake and activity expected for quarters two and three. We have a good order backlog, which to some extent will help us during the expected downturn in the following quarters. The driver of the order intake during the first quarter is primarily the development within E-commerce. Automotive, on the other hand, had another weak quarter. Regionally, we have continued to develop well in the US and New markets, but the UK in particular, stands out positively and shows very good figures. Troax USA also performed well during the period, while it remained slow for Folding Guard. In summary, we believe that we have gained market shares mainly in more demanding customer segments and have again received several important orders from customers in automation, warehousing and construction.

Investments in increased production capacity at our plants in Sweden and Italy were largely completed during the first quarter, with the unit in Bulciago Italy being in use from the beginning of the year. The new Italian unit has, after some tuning, now started to gain momentum in production. Here, unfortunately, we must note that demand is likely to be the problem in the second quarter, as we have seen a clear reduction in quotation requests since the second half of March. On the positive side, of course, the new factory is ready to receive clearly higher volumes, in the long run. It should be noted this unit has been operating throughout the crisis in Italy, although the scale and volumes have been affected by the difficult situation in the country. The units in Birmingham (UK) and Chicago (USA), were in principle closed completely towards the end of March and will be closed at least throughout the month of April. The Group's main factory in Hillerstorp Sweden has continued to produce almost normal production during this period. Our smallest size factory in Shanghai (China), was basically closed for most of the quarter due to Corona development in the country but started again on a smaller scale towards the end of the period.

Net sales increased by 4% in the quarter compared to the corresponding period last year. The trend is positive, especially in Continental Europe as well as New markets and the gross margin increased somewhat during the quarter. The result for the quarter is therefore better than the corresponding period 2019, which indicates a continued stable position for Troax at the end of March. We are currently conservative in increasing our sales and marketing efforts until we see how the situation develops. For the Group, the operating margin was 15,9 percent in the quarter, compared with 15,1 percent last year. Operating profit was EUR 6,5 million, an increase of EUR 0,6 million and Folding Guard continues to negatively impact the Group's operating margin. Net profit amounted to EUR 4,8 million for the quarter compared to EUR 4,3 million last year.

Due to the great uncertainty about how the Corona pandemic will affect the company, the Board has decided to postpone the Annual General Meeting until June 25th. The decision has been made to give the Board additional time to evaluate what impact the Corona pandemic will have on the company's market and liquidity situation and whether there is reason to change the earlier dividend decision. Cash flow during the quarter was charged, among other things, with the payment of debts related to a certain part of the investment in Italy and the acquisition of our distributor in Japan. This combined with a certain increase in tax payments, results in a somewhat lower cash flow than the corresponding period last year. Investments charged EUR 1,6 million in cash flow during the quarter. Towards the end of the period, we noted a tendency for customers in different countries to try to delay payments, with reference to the strained situation because of the Corona situation.

Thomas Widstrand, President and CEO

THE GROUP SUMMARY

JANUARY - MARCH

The total order intake developed positively in the period. Order intake amounted to 44,6 (39,7) MEUR, an increase by 12 percent or 12 percent adjusted for currency. All regions except Nordic increased their order intake during the quarter compared with the corresponding period last year.

Net sales amounted to 40,8 (39,1) MEUR, an increase of 4 percent or 4 percent adjusted for currency. All regions except Nordic and UK increased their sales in the quarter compared with the corresponding period last year.

Operating profit amounted to 6,5 (5,9) MEUR, corresponding to an operating margin of 15,9 (15,1) per cent.

FINANCIAL NET

For the quarter, financial net amounted to -0,2 (-0,3) MEUR.

TAXES

The tax expense was -1,5 (-1,3) MEUR for the quarter.

NET RESULT

Net result for the quarter amounted to 4,8 (4,3) MEUR.

CASH FLOW, WORKING CAPITAL AND NET DEBT

Cash flow from operating activities was 1,6 (4,3) MEUR in the quarter. Net debt including the impact from IFRS 16 was 51,0 (50,4) MEUR by the end of the quarter. Net debt in relation to the 12-month rolling EBITDA was 1,3 (1,4) to be compared with the company's financial target of less than 2,5.

INVESTMENTS

During the quarter, investments were 1,6 (1,5) MEUR. The year's investments mainly relate to the extension of the factory in Sweden and the asset acquisition from our former distributor in Japan.

REGIONAL DEVELOPMENT

Troax operations are reported as one segment. As secondary information Order intake and Sales are reported based on geographical regions.

Nordic – Sweden, Denmark, Norway and Finland

Continental Europe – Europe excluding Nordic and United Kingdom

United Kingdom – Great Britain and Ireland

North America – US and Canada

New Markets – rest of the world including all distributors directly connected to Sweden

Order intake MEUR	3 Months	3 Months	Diff	12 Months	12 Months	Diff	12 Months
	Jan-Mar 2020	Jan-Mar 2019		Jan-Dec 2019	Jan-Dec 2018		Apr-Mar 2019/2020
Continental Europe	22,2	21,5	3%	90,5	86,7	4%	91,2
Nordic region	7,0	7,0	0%	26,6	26,4	1%	26,6
United Kingdom	6,7	4,4	52%	19,2	19,5	-2%	21,5
North America	6,5	5,2	25%	23,0	24,0	-4%	24,3
New Markets	2,1	1,6	31%	8,0	8,4	-5%	8,5
Total excl Currency	44,5	39,7	12%	167,3	165,0	1%	172,1
Currency effect	0,1	0,0	0%	0,8	0,0	0%	0,9
Total Order intake	44,6	39,7	12%	168,1	165,0	2%	173,0

Total Sales MEUR	3 Months	3 Months	Diff	12 Months	12 Months	Diff	12 Months
	Jan-Mar 2020	Jan-Mar 2019		Jan-Dec 2019	Jan-Dec 2018		Apr-Mar 2019/2020
Continental Europe	22,5	20,6	9%	88,7	85,7	19%	90,6
Nordic region	6,0	6,4	-6%	27,1	25,8	5%	26,7
United Kingdom	4,9	5,5	-11%	20,5	17,2	19%	19,9
North America	5,3	5,1	4%	23,2	24,1	-4%	23,4
New Markets	2,0	1,5	33%	7,7	8,2	-6%	8,2
Total excl Currency	40,7	39,1	4%	167,2	161,0	4%	168,8
Currency effect	0,1	0,0	0%	0,8	0,0	0%	0,9
Total Sales	40,8	39,1	4%	168,0	161,0	4%	169,7

* Note that we report organic growth excluding currency effect.

THE GROUP - SUMMARY

INCOME STATEMENT

MEUR	3 Months	3 Months	12 Months	12 Months	12 Months
	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019	Jan-Dec 2018	Apr-Mar 2019/2020
Sales	40,8	39,1	168,0	161,0	169,7
Cost of goods sold	-25,5	-24,6	-100,9	-97,4	-101,8
Gross profit	15,3	14,5	67,1	63,6	67,9
Sales expenses	-6,6	-6,1	-23,9	-21,4	-24,4
Administrative expenses	-2,4	-2,4	-9,7	-9,1	-9,7
Other operating income and expenses	0,2	-0,1	-0,6	-0,3	-0,3
Operating profit	6,5	5,9	32,9	32,8	33,5
Financial income and expenses	-0,2	-0,3	-0,9	-0,8	-0,8
Result after financial expenses	6,3	5,6	32,0	32,0	32,7
Taxes	-1,5	-1,3	-7,7	-7,6	-7,9
Net result for the period	4,8	4,3	24,3	24,4	24,8
Earnings per share before / after dilution	0,08 €	0,07 €	0,41 €	0,41 €	0,41 €
Number of shares before / after dilution in thousands	60 000	60 000	60 000	60 000	60 000

STATEMENT OF COMPREHENSIVE INCOME

	3 Months	3 Months	12 Months	12 Months	12 Months
	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019	Jan-Dec 2018	Apr-Mar 2019/2020
Net result for the period	4,8	4,3	24,3	24,4	24,8
Other comprehensive income:					
Items that may be reclassified to the income statement					
Translation differences	-5,4	-0,7	-0,7	-2,5	-5,4
Tax related to items that may be reclassified	0,0	0,0	0,0	0,0	0,0
	-5,4	-0,7	-0,7	-2,5	-5,4
Items that will not be reclassified to the income statement					
Actuarial gains and losses on defined-benefit pension committ	0,0	0,0	-0,6	-0,4	-0,6
Tax related to items that may be reclassified	0,0	0,0	0,1	0,1	0,1
	0,0	0,0	-0,5	-0,3	-0,5
Other comprehensive income, net of tax	-5,4	-0,7	-1,2	-2,8	-5,9
Total comprehensive income for the period	-0,6	3,6	23,1	21,6	18,9

EBITDA	3 Months	3 Months	12 Months	12 Months	12 Months
	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019	Jan-Dec 2018	Apr-Mar 2019/2020
Operating result	6,5	5,9	32,9	32,8	33,5
Depreciations	1,8	1,4	6,0	2,8	6,4
EBITDA	8,3	7,3	38,9	35,6	39,9

1) 2020 and 2019 numbers are impacted by IFRS 16 (0,7-0,8 MEUR in decreased leasing costs per quarter).

2) The number of shares and earnings per share for all periods is calculated based on 60 000 000 shares after split 3:1 on the 19th of June 2019

STATEMENT OF FINANCIAL POSITION

MEUR	2020 31-mar	2019 31-mar	2019 31-dec	2018 31-dec
Assets				
Intangible assets	85,4	87,4	87,3	87,9
Tangible assets	40,0	33,2	41,8	26,2
Financial fixed assets	6,2	5,3	6,2	5,5
Total fixed assets	131,6	125,9	135,3	119,6
Inventories	14,3	11,4	14,5	11,9
Current receivables	37,4	35,8	40,0	37,3
Cash and cash equivalents	28,3	24,8	30,4	22,7
Total current assets	80,0	72,0	84,9	71,9
TOTAL ASSETS	211,6	197,9	220,2	191,5
Equity and liabilities				
Equity	94,3	86,2	95,7	82,6
Long-term liabilities	90,2	84,4	91,3	78,1
Current liabilities	27,1	27,3	33,2	30,8
TOTAL EQUITY AND LIABILITIES	211,6	197,9	220,2	191,5
Net debt = interest-bearing liabilities excluding provisions for pensions less cash	51,0	50,4	49,1	46,3

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE PARENT COMPANY'S SHAREHOLDERS

Opening balance	95,7	82,6	82,6	69,1
Dividends	0,0	0,0	-9,4	-8,1
Re-purchase of shares	-0,8	0,0	-0,6	0,0
Total comprehensive income for the period	-0,6	3,6	23,1	21,6
Closing balance	94,3	86,2	95,7	82,6

STATEMENT OF CASH FLOW

MEUR	3 Months 2020 31-mar	3 Months 2019 31-mar	12 Months 2019 31-dec	12 Months 2018 31-dec
Operating profit	6,5	5,9	32,9	32,8
Interest received and paid, tax paid and adjustments	-1,6	0,4	-0,6	-6,3
Changes in working capital	-3,3	-2,0	-3,4	-0,5
Cash flow from operating activities	1,6	4,3	28,9	26,0
Net investments	-2,1	-1,5	-8,6	-8,9
Cash flow after investing activities	-0,5	2,8	20,3	17,1
Financing activities	-1,6	-0,7	-12,2	-8,1
Cash flow for the period	-2,1	2,1	8,1	9,0
Cash and cash equivalents at the start of the period	30,4	22,7	22,7	14,1
Translation difference in cash and cash equivalents	0,0	0,0	-0,4	-0,4
Cash and cash equivalents at the end of the period	28,3	24,8	30,4	22,7

PARENT COMPANY – SUMMARY

INCOME STATEMENT	3 Months	3 Months	12 Months	12 Months
	Jan-Mar	Jan-Mar	Jan-Dec	Jan-Dec
MEUR	2020	2019	2019	2018
Sales	0,3	0,3	1,2	1,2
Cost of goods sold	0,0	0,0	0,0	0,0
Gross profit	0,3	0,3	1,2	1,2
Administrative expenses	-0,5	-0,5	-1,8	-1,8
Other operating income and expenses	-0,2	-0,1	-0,2	-0,1
Operating profit	-0,4	-0,3	-0,8	-0,7
Financial income and expenses	0,2	0,4	10,0	10,4
Result after financial expenses	-0,2	0,1	9,2	9,7
Year-end appropriations	0,0	0,0	7,4	7,3
Profit before tax	-0,2	0,1	16,6	17,0
Taxes	0,1	0,0	-1,6	-1,6
Net result for the period	-0,1	0,1	15,0	15,4

STATEMENT OF COMPREHENSIVE INCOME				
Net result for the period	-0,1	0,1	15,0	15,4
Other comprehensive income, net of tax	0,0	0,0	0,0	0,0
Total comprehensive income for the period	-0,1	0,1	15,0	15,4

STATEMENT OF FINANCIAL POSITION	31-mar	31-mar	31-dec	31-dec
MEUR	2020	2019	2019	2018
Assets				
Shares in subsidiaries	87,7	87,7	87,7	87,7
Receivables to subsidiaries	14,2	23,2	23,5	22,9
Total fixed assets	101,9	110,9	111,2	110,6
Receivables to subsidiaries	9,7	7,6	9,7	7,4
Current receivables	0,6	0,1	0,4	0,7
Cash and cash equivalents	7,0	0,0	0,0	0,0
Total current assets	17,3	7,7	10,1	8,1
TOTAL ASSETS	119,2	118,6	121,3	118,7
Equity and liabilities				
Equity	42,2	38,4	43,2	38,2
Untaxed reserves	6,5	4,3	6,5	4,3
Long-term liabilities	69,0	69,0	69,0	69,0
Current liabilities	1,5	6,9	2,6	7,2
TOTAL EQUITY AND LIABILITIES	119,2	118,6	121,3	118,7

CASH FLOW	3 Months	3 Months	12 Months	12 Months
	2020	2019	2019	2018
MEUR	31-mar	31-mar	31-dec	31-dec
Operating profit before financial items	-0,4	-0,3	-0,8	-0,7
Interest paid and received, taxes, adjustments	0	0,2	9,6	9,5
Change in working capital	8,2	0,1	0,6	-0,7
Cash flow from continuing operations	7,8	0,0	9,4	8,1
Investments	0	0,0	0	0,0
Cash flow from investment activities	7,8	0,0	9,4	8,1
Cash flow from financing activities	-0,8	0,0	-9,4	-8,1
Cash flow for the period	7,0	0,0	0,0	0,0
Cash and cash equivalents at the beginning of the period	0	0,0	0	0,0
Translation difference	0	0,0	0	0,0
Cash and cash equivalents at the end of the period	7,0	0,0	0,0	0,0

FINANCIAL TARGETS

Troax Group's financial targets connected to the company's strategic initiatives are presented below. All expressed opinions in this part are future orientated.

Growth	Troax's objective is to grow in its current markets, both organically and by selective acquisitions
Profitability	Troax's target is to have an operating margin in excess of 20 per cent.
Financial structure	Net debt in relation to the 12-month rolling EBITDA, excluding temporary deviations, shall not exceed 2,5 times.
Dividend policy	Troax's target is to pay approximately 50 per cent of its net profit in dividends. The dividend proposal shall consider Troax's long-term development potential, its financial position and its investment needs.

The financial targets represent future oriented information. Future oriented information shall not be considered as guarantees for future result or development. The actual result may and can materially vary from what is expressed in the future oriented information.

OTHER INFORMATION

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2, Accounting for Legal Entities. The Accounting principles that have been applied coincide with those accounting principles used for preparing the latest Annual Report. The Annual report for 2019 is available on www.troax.com.

ALTERNATIVE KEY RATIOS

In this interim report, Troax presents certain financial measures that are not defined by IFRS, so-called alternative key ratios. The Group believes that these measures provide valuable supplementary information to investors as they enable an evaluation of the company's results and position. Since not all companies calculate financial measurements in the same way, these are not always comparable to those used by other companies. Investors should consider these financial measures as a complement rather than an IFRS financial statement.

RISKS AND RISK MANAGEMENT

Exposure to risks is a natural part of business operations and this reflects Troax's approach to risk management. This aims to identify and prevent the occurrence of risks and to limit any damage from these risks. The most significant risks to which the Group is exposed are related to the cyclical impact on demand. For further information, see the Management Report and Note 25 in the Annual Report 2019.

SEASONAL VARIATIONS

Seasonal variations have some impact on Troax business. Sales are normally in general stable between the quarters but can fluctuate between the months in the quarter. Sales can be somewhat lower in the summer months (July-August) and from December to January. In periods of high production, the company normally ties up more money in Working Capital. Cash is then released from working capital after a high season when manufactured goods are installed and the customer's receivables paid.

OTHER INFORMATION (CONT.)

TRANSACTIONS WITH RELATED PARTIES

No significant transactions with related parties have taken place during the period.

CALL OPTION PROGRAM FOR SENIOR EXECUTIVES

At the Annual General Meeting 2018 and 2019, share-based incentive programs were decided based on call options for the CEO, senior executives and certain other key persons within the Group. The programs are described in more detail in Note 1 of the Annual Report 2019. Below is a summary of the option programs:

Year	Subscribed options	Option premium	Subscription price
2018	37 000 st	9,67 kr / option	120,78 kr / share
2019	66 200 st	9,35 kr / option	121,68 kr / share

RE-PURCHASE OF SHARES

On August 14, 2019, the Board of Directors resolved on a repurchase program of a maximum of 600,000 shares, supported by authorization from the Annual General Meeting on May 14, 2019. As of March 31, 2020, Troax Group AB (publ) owned 133,000 own shares.

EMPLOYEES

At the end of the period the Group had 719 (709) employees.

OTHER EVENTS DURING THE QUARTER

There is no other significant information to report for the quarter.

OTHER EVENTS AFTER THE QUARTER

There is no significant information to report after the quarter.

AUDIT

This report has not been reviewed by the auditors.

NEXT REPORTS

Interim report Q2, 13th of August 2020.

Interim report Q3, 28th of October 2020.

SHAREHOLDERS MEETING

The Annual General Meeting will be held at Troax in Hillerstorp on the 25th of June 2020, at 15:00hrs. Shareholders who wish to add topics to be handled during the Shareholders Meeting can send their suggestions to the Chairman, Troax Group AB, attention "Topic for the Shareholders Meeting", Box 89, 335 04 Hillerstorp, Sweden. The topics must arrive at least seven weeks prior to the meeting, and by the 7th of May 2020, at the latest. A complete notice of the Annual General Meeting will be available on the company's website no later than May 28th.

TELEPHONE CONFERENCE

Invitation to presentation of the first quarter result:

Thomas Widstrand, CEO presents the result on a phone conference on the 23rd of April 2020 at 16:00 CET. The conference will be held in English. For more information, please refer to <https://www.troax.com/global/en/press>



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Hillerstorp, 23rd of April 2020

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