

Half year results 2020: Vast experience in crisis management and a sound balance sheet with a strong liquidity base secure future prospects for SBO

- **Sales of MEUR 184.5 and EBIT before one-off items of MEUR 12.4 reflect the company's operational strength**
- **Non-cash assets impairment of MEUR 20.8 carried out on North American subsidiaries**
- **Net debt further reduced to MEUR 6.9, cashflow from operating activities increased to MEUR 50.6**

Ternitz, August 27, 2020. Schoeller-Bleckmann Oilfield Equipment AG (SBO) had a positive start into year 2020, but its business development was increasingly strained by the global COVID-19 crisis in the course of the second quarter. The global lockdown has brought business activities and transport to a standstill in many areas, causing a historic slump in demand for oil and gas. The North American market was hit particularly hard by the crisis, but the international oil markets also developed clearly negatively, as reflected in the sharp reduction of active drilling rigs. Owing to the exceptional global situation, SBO's sales and earnings declined in the first half of 2020, but profit from operations before one-off effects remained in positive territory.

Given the cyclical nature of the industry environment, SBO often demonstrated its ability to react promptly to heavily fluctuating market movements in the past. The company used its expertise once again in the first half of 2020 and implemented a set of actions to mitigate the effects of the global crisis at an early stage. The crisis-tested management team immediately applied strict working capital management, reduced spending to a minimum and implemented company-wide cost-saving programs. In the process, the US headcount was downsized by around 40 %, while locations with a higher capacity utilization were less affected. As the global economic environment was strongly impacted by COVID-19, SBO recognized non-cash asset impairments amounting to MEUR 20.8 at subsidiaries in North America. In August 2020, SBO's already strong liquidity base was further extended by raising loans in the amount of MEUR 78.0 as a precautionary measure. These efficient measures are the basis for securing SBO's long-term business success.

CEO Gerald Grohmann says: "The global coronavirus crisis has plunged the world economy into a deep recession in the first half of 2020. Clearly, SBO was not immune to those effects. Unlike many other companies, however, we have developed expertise in managing a crisis because of the cyclical nature of our industry. We are most actively steering our Group through this environment and were able to mitigate the impact, helping us to achieve a positive half-year profit from operations before one-off effects. Our liquidity base is strong, and we have further reduced our net debt that had been low even before. Our continued focus on liquidity and cashflow gives us the security we need to navigate through this cyclical low."

Positive operating result before one-off effects, solid balance sheet structure maintained

Sales of SBO, listed on the ATX leading index of the Vienna Stock Exchange, amounted to MEUR 184.5 in the first half of 2020 (1-6/2019: MEUR 236.2, minus 21.9 %). Due to the global economic crisis, bookings contracted by 41.7 % year-on-year and came to MEUR 144.5 (1-6/2019: MEUR 247.8), while the order backlog was MEUR 83.6 at the end of June 2020 (31 December 2019: MEUR 123.0).

Earnings before interest, taxes, depreciation and amortization (EBITDA) went from MEUR 62.7 in the first half of 2019 to MEUR 28.5 in 2020, with the EBITDA margin standing at 15.4 %. While remaining positive at MEUR 12.4 (1-6/2019: MEUR 38.9) before one-off effects, profit from operations (EBIT) was impacted by impairment expenses of around MEUR 20.8, leaving EBIT after one-off effects at MEUR minus 8.9. As a result, profit before tax for the first half of 2020 was MEUR minus 10.0 (1-6/2019: MEUR 27.4), and profit after tax MEUR minus 12.0 (1-6/2019: MEUR 17.2). Earnings per share for the first half of 2020 were EUR minus 0.76 (1-6/2019: EUR 1.08).

After the first six months of 2020, SBO's equity arrived at MEUR 330.6 (31 December 2019: MEUR 370.1), while the equity ratio remained stable at 41.5 % (31 December 2019: 42.3 %). Despite dividend payments and a share buyback program, SBO significantly reduced its net debt compared to year-end 2019, to MEUR 6.9 as of 30 June 2020 (31 December 2019: MEUR 20.1). Gearing improved to 2.1 % (31 December 2019: 5.4 %). Liquid funds remained high at MEUR 244.4 (31 December 2019: MEUR 265.2). SBO further secured the company's strong liquidity base by raising loans in the amount of MEUR 78.0 as a precautionary measure in August 2020. This event after the balance sheet date will increase liquid funds by MEUR 59.5, considering early repayments. SBO's cashflow from operating activities rose to MEUR 50.6 during the first half of 2020 (1-6/2019: MEUR 38.2), while free cashflow went up to MEUR 42.2 (1-6/2019: MEUR 16.1). Capital expenditure for property, plant and equipment (CAPEX, excluding rights of use) amounted to MEUR 10.6 (1-6/2019: MEUR 15.9).

SBO well positioned in a challenging environment

The way in which the economy will recover depends to a large extent on further developments in the number of COVID-19 infections and political measures taken. In the current situation, even renowned experts and institutes are unable to make reliable forecasts. The medium and long-term effects to the global economy and also with regard to the oil and gas market remain to be seen.

SBO is bracing for a challenging year 2020. At the same time, the company, like the market, expects oil and gas demand to normalize in the medium term. In the long run, we should see a need to catch up spendings in exploration and production (E&P). The low E&P spendings and the drastically reduced oil production worldwide could cause production not to be ramped up quickly enough with rising demand, which would again trigger marked increases in E&P spendings.

"The developments around coronavirus have created a high degree of uncertainty. The repercussions on the oil and gas market have been massive and not all effects are yet visible. But our position remains extremely sound even in this difficult environment. We took decisive action immediately, cut costs and have what is needed to survive a longer-lasting crisis in good shape", concludes CEO Gerald Grohmann.

SBO's key performance indicators at a glance

		1-6/2020	1-6/2019
Sales	MEUR	184.5	236.2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	MEUR	28.5	62.7
EBITDA margin	%	15.4	26.5
Profit from operations (EBIT) before impairments and restructuring measures	MEUR	12.4	38.9
Profit from operations (EBIT) after impairments and restructuring measures	MEUR	-8.9	37.9
EBIT margin	%	-4.8	16.0
Profit before tax	MEUR	-10.0	27.4
Profit after tax	MEUR	-12.0	17.2
Earnings per share	EUR	-0.76	1.08
Cashflow from operating activities	MEUR	50.6	38.2
Liquid funds as of 30 June 2020 / 31 December 2019	MEUR	244.4	265.2
Net debt as of 30 June 2020 / 31 December 2019	MEUR	6.9	20.1
Headcount as of 30 June 2020 / 31 December 2019		1,236	1,535

SBO is a leading supplier of tools and equipment for directional drilling and well completion applications. The company is the global market leader in the manufacture of high-precision components made of non-magnetic steel. The product offering ranges from complex customized components for the oilfield service industry to a selection of high-efficiency solutions and products for the oil and gas industry. As of 30 June 2020, SBO employed a workforce of 1,236 worldwide (31 December 2019: 1,535), thereof 390 in Ternitz / Austria and 493 in North America (including Mexico).

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