

BE Group Q2 2020 - Improved gross margin and underlying result in line with last year

Second quarter

- Net sales amounted to SEK 935 M (1,193)
- The underlying operating result amounted to SEK 28 M (32)
- The quarter was affected by items affecting comparability of SEK -5 M (-) related to the centralization of warehouse and production operations in the Baltics
- The operating result amounted to SEK 21 M (32)
- Result after tax amounted to SEK 18 M (19)
- Cash flow from operating activities amounted to SEK 95 M (67)
- Earnings per share amounted to SEK 1.34 (1.44)

Statement from the CEO

We entered the second quarter with great uncertainty due to the world's reactions to the rapid spread of Covid-19. Overnight, some of our customers, mainly subcontractors to the automotive industry, lost 80 percent of their sales and our single largest customer announced with one day's notice that they would temporarily shut-down their entire business. A lot of effort has been put into implementing measures, such as introducing a shortened work-week, renegotiating agreements, monitoring working capital and going through expenses.

Now as we sum up the second quarter and the first half of 2020, I still think that we succeeded well. All of the companies except Lecor Stålteknik are declining in sales, but on the other hand, all of the companies strengthened their gross margins, in some cases clearly. The underlying operating result amounted to SEK 28 M (32) for the quarter and SEK 70 M (72) for the first six months. In addition to the impact of Covid-19, this should be viewed in light of the decline in demand that began in the second quarter of 2019 and continued into 2020.

In the second quarter, we decided to restructure the operations in the Baltics. We will continue to be represented in all of the Baltic countries, but warehousing and production service are being consolidated to Estonia. One-off costs of approximately SEK 5 M were charged to the operating result in the second quarter and is expected to have a payback time of about 1 year.

Cash flow remained stable as a result of the positive earnings and good control of working capital. Operating activities generated SEK 95 M (67) during the quarter and SEK 188 M (129) for the first six months.

The future

The uncertainty regarding the effects of Covid-19 on the upcoming quarters remains. We are carefully monitoring the development and are prepared to take more and stronger measures if necessary, at the same time that we can shift into high gear at short notice to meet demand from both new and old customers.



We are continuing to focus on building a good company for the future. The automated production line in Norrköping is in full operation and fine-tuning is ongoing. The centralization of warehousing and production operations to Norrköping together with the closure of the warehouse in Malmö is proceeding according to plan. We have begun a restructuring of the operations in the Baltics and decided for some minor, but interesting, investments in Finland. We also decided to build and launch a new e-commerce portal. All of this leads to renewal and strengthening of the offering to the market at the same time that we are clearly reducing the operating costs.

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BE Group, which is listed on the Nasdaq Stockholm exchange, is a trading and service company in steel, stainless steel and aluminium. BE Group offers efficient distribution and value-adding production services to customers primarily in the construction and manufacturing industries. In 2019, the Group reported sales of SEK 4.4 billion. BE Group has approximately 650 employees, with Sweden and Finland as its largest markets. The head office is located in Malmö, Sweden. Read more about BE Group at www.begroup.com.