

Mimizan, April 16th, 2024

2023 Annual results

At the meeting on April 16th, 2024, chaired by Dominique Coutière, Gascogne's Board of Directors approved the financial statements for the 2023 fiscal year. The annual and consolidated financial statements were audited. The certification reports will be issued once the procedures required for the publication of the annual financial report have been finalised.

Following strong growth in 2022 (+15%), 2023 was marked by a gradual slowdown in sales momentum. Sales came to €411.2 m, down 10.6% (-4% in the first half of the year, -18% in the second half), as a result of a slowdown in demand and a regulation in customers' stock levels, leading to a decrease in volumes sold, particularly in the second half of the year. Sales prices changed little in 2023, in line with the evolution in raw material prices.

This drop in activity automatically means that fixed costs were less well absorbed. As a result, EBITDA came in at €40.0 m, down 26.8% compared to the record year 2022. This nevertheless represents the Group's 2nd best performance in over 20 years, with an EBITDA 25% higher than in 2020 and 2021, and 40% higher than in 2019 before the health crisis (see table below).

in €M	2023	2022	2021	2020	2019
EBITDA	40,0	54,5	32,1	32,1	28,5

Construction work on the buildings for the Group's major investment project in a new paper machine¹, began in summer 2023, with the construction of the logistics building scheduled for completion by the end of this year.

Construction of the machine building has been delayed, which should mean that commissioning should take place a few months later, at the beginning of 2026, and the overall cost of the project, estimated initially at €220 m at the beginning of 2022, is revised upwards by around 25%.

A €20 m capital increase with preferential subscription rights for all shareholders will be proposed at the upcoming Annual General Meeting in June, for completion in summer 2024.

¹ This paper machine will replace 3 of the 4 existing paper machines. It will enable to optimise the quantities of paper produced by making full use of the plant's pulp production capacity, to provide the best grades of unbleached kraft paper, to better meet the packaging markets demand, to improve the site's energy efficiency and environmental performance and, finally, to reduce production costs. This should ultimately improve performance significantly increase Gascogne's EBITDA.

Incomes statement

<i>in € M</i>	2023	2022
Sales	411,2	460,2
EBITDA	40,0	54,5
Underlying operating profit	18,0	36,0
Operating profit	16,4	28,5
Net Financial items	-5,7	-3,1
Pre-tax profit	10,7	25,4
Consolidated net profit	9,7	22,5

Sales dropped by 10.6% to € 411.2 m.

EBITDA² decreased from €54.5 m to €40.0 m as a result of lower volumes sold in the 4 activities.

Underlying operating profit was halved, reflecting the drop in the EBITDA and the increase in depreciations.

Operating profit amounted to €16.4 m, compared with €28.5m in 2022.

Net Financial items expense was €5.7 m (vs. €3.1 m) due to the interest rates rise, the increase in indebtedness and a negative exchange result.

Consolidated net profit remained distinctly positive at €9.7 m.

Analysis by activity

<i>in €m</i>	Wood activity		Paper activity		Sacks activity		Flexible activity	
	2023	2022	2023	2022	2023	2022	2023	2022
Sales	33,3	46,0	119,5	133,3	126,7	143,0	131,7	137,9
EBITDA	-1,7	5,2	13,3	16,8	13,6	15,0	13,8	16,2
Underlying operating profit	-4,8	3,0	4,1	9,2	9,0	11,1	9,7	12,7

EBITDA for the **Wood** activity dropped by €6.9 m and fell back to negative € -1.7m, reflecting very weak demand for sawn timber, mainly used in the manufacture of pallets.

The Paper activity saw its EBITDA decrease by €3.5 m to €13.3 m, due to lower absorption of fixed costs caused by production difficulties, which confirmed the need to invest in production facilities, such as the new paper machine. In addition, the paper plant was faced with two fires in the wafer pile in March and August 2023, which have caused the loss of more than a month's production.

The glazed paper markets were much resistant to the business downturn than the kraft sack paper markets, more dependent on consumption.

The Sacks activity showed resilience despite a gloomy business environment in the majority of its markets. , EBITDA dropped by only 9% to €13.6 m while sales volumes for all sites combined declined by 15%. The business benefited from the recovery of the Greek sack business after a difficult 2022.

² EBITDA: Underlying Operating Profit + net amortization allowances + net operating allowances and depreciation

The Flexible activity also performed well, despite a sustained drop in volumes in the second half of the year at the Dax site. The German site continued its recovery, which began in 2021. Overall, EBITDA decreased by 15% compared to 2022, at €13.8 m, but increased by 38% compared to 2021.

Financial structure

Balance sheet	2023	2022
Shareholders' Equity (€m)	193,2	184,8
Shareholders' Equity per share (€)	8,0	7,6
Net debt (€m)	142,2	105,7
Working capital requirement (€m)	101,3	104,2

Flow	2023	2022
Cash flow from operating activities (€m)	33,7	38,3
Cash flow from investing activities (€m)	-77,3	-46,2
Cash flow from financing activities (€m)	57,3	11,0
Variation in cash flow (€m)	13,7	3,1

Operating cash flow decreased slightly (-€4.6 m) to €33.7 m, due to the decline in EBITDA, partially offset by a reduction in inventories.

Cash flow from operating activities increased strongly by more than €30 m to €77.3 m, with €52 m devoted to the new paper machine.

Cash flows from **financing activities** amounted to €57.3 m, including new loans of €70 m, a €10 m advance on current account granted by the shareholder Attis 2 (which will be converted into shares in the forthcoming €20 m capital increase in 2024), loan repayments of €12.7 m and a reduced use of the factoring facility amounting to €8.5 m, due to lower sales at the end of the year.

Cash flow variation was positive at €13.7 m. Cash available amounted to €46.9 m.

Net debt increased by €36.5 m over the year, considering investments in the new paper machine project.

Outlook

Even if the commercial recovery is not expected before the 2nd half-year of 2024, the 1st quarter seems to be showing a turnaround in the situation, with several positive signals, particularly in some of the Wood, Bags and Flexible activities.

However, the Paper activity remains mainly constrained by its production, which was penalised by the regulatory shutdown of the paper mill in March, which confirmed the relevance and the vital importance of the investment in a new paper machine due to the obsolescence of the current fleet.

The global geopolitical and economic context, as well as raw material price variations, transport costs and energy costs, are still key points for which the Group remains attentive.

Head of Financial Information

Julien Ellie - Chief Financial Officer Tel: +33 5 58 09 90 17

About Gascogne :

A major player in the French timber industry, Groupe Gascogne is present at every stage in the development of forest resources. Anchored in the heart of the Landes de Gascogne forest, it is one of the leading specialists in maritime pine processing, with the distinctive feature of fully integrating the entire wood-paper-processing chain. Gascogne relies on 4 complementary activities (Wood, Paper, Bags and Flexible) to develop in markets where its know-how makes it one of the most recognised in its specialities, such as natural kraft friction paper, bags for human and animal consumption, building insulation complexes, carpentry squares... to name but a few.

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