

Press release

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Roto Group exceeds expectations / Record year a possibility / Construction supplier increases sales and earnings substantially in 2021 / Good delivery performance ensures positive development / Economic upturn, but with negatives / Challenging environment for 2022 / Pandemic and other uncertainties / Supply chain law exacerbates procurement problems / Giving the traffic-light coalition in Germany “a fair chance” / Reduction of excessive warehouse stock reduces market volumes / Challenge of “sustainability” / High performance sets the stage for further success / 75 journalists from 15 countries attend the hybrid event

Roto is growing, and not resting on its laurels

Velbert / Düsseldorf – In the middle of November, Dr Eckhard Keill, Chairman of the Board of Directors of Roto Frank Holding AG, summed up the development of the Roto Group succinctly: “We have understated the case.” Dr Keill reported during the 16th International Trade Press Day in Düsseldorf that the construction supplier’s results for the year have surpassed all expectations and may end up setting a new record. This is all the more impressive, he continued, as the Group is still operating in a period of instability. As a global player, Roto has, among other things, provided customers across the world with the most important factor to ensure industrial output: Good delivery performance. Although the market perspectives for 2022 “are by no means perfect”, the Group intends to continue pursuing its current growth trajectory.

Too modest

The head of Roto stated that, of the two possible scenarios put forward a year ago for the performance in 2021, the balance tended towards the positive scenario. Since then, the more or less strong recovery of the world economy has for the most part also reinvigorated the building industry. However, there are various negative aspects to contend with. For instance, the pandemic situation has still fundamentally not eased, and there are still no signs of a breakthrough on the geopolitical level. There is also an international materials, raw materials and logistics crisis, largely due to the Coronavirus pandemic, which has led to drastic price increases. This has noticeably slowed down the economic recovery.

Against this backdrop, Keill recalls the objectives for Roto’s performance in 2021 formulated at the end of 2020. Specifically, the Group endeavoured to once again perform better than the rest in each market, to continue to be the “best performer” in meeting customer requirements, to achieve another good result in terms of turnover and to further consolidate its increased profitability. It is now clear: “That was too modest.”

Diminishing dynamics

The unforeseeable upwards development was reflected in significant total Group turnover results as seen at the end of September 2021. It increased by a fifth (20.6%), from 511.8 million euros to 617.1 million euros. The Window and Door Technology (FTT), Roof System Technology (DST) and Professional Service (RPS) divisions grew at almost identical double-digit rates.

However, these extraordinary dynamics will probably taper off somewhat by the end of the year. On the one hand, the fourth quarter of 2020 went particularly well. On the other hand, it is important to consider the large stockpiles accrued by our market partners over the past several months due to the (raw) materials crisis. This pull-forward effect became clear in the final quarter. In spite of this, Keill expects a total Group turnover of around 800 million euros for 2021 (after 686 million euros), which would be unprecedented in the history of the company. The by now nearly traditional turnover ratio of two thirds in Germany to one third abroad has once again remained stable.

The number of employees worldwide has likewise remained constant at approx. 4800. The investment volume is under budget, as restrictions due to the Coronavirus pandemic have prevented implementation of planned projects. This could result in a catch-up effect in 2022 if the schedule otherwise returns to normal.

“Key to success”

Speaking in the context of the turnover situation, the Chairman of the Board of Directors of the company reported “particularly encouraging interim results” at the end of September. He stated that the Group has achieved significantly higher results compared to those of the corresponding period in the previous year. However, in correspondence with the turnover figures, a weaker fourth quarter is emerging. The reasons for this are the strong reference period in 2020, the return to normal costs due to the end of savings programmes put in place due to the pandemic, for example, and, primarily, the inability to fully compensate for the extreme increases in material prices thus far. Nevertheless, the bottom line is that 2021 could nevertheless be an “excellent year for turnover”. It creates substantial further improvement to the already strong economic stability and thereby provides market partners with a level of increased reliability that could be a crucial factor in their decision-making.

All in all, Keill summarised, the Roto Group has clearly exceeded its goals for 2021 and thereby “made an impressive mark”. The specific characteristics of these results are anticipated record turnover, a substantial boost in earnings and a stronger market position. The Chairman of the Board of Directors highlighted high delivery capacity and the consistent customer benefit strategy for products and services as the key to the Group’s success.

He also pointed to a new level of engagement on the part of the Group’s owners. They established the Wilhelm Frank Foundation at the start of 2021, the purpose of which is to promote intercultural exchange, scholarship and research. The first project of the Initiative, the “Open windows – What windows say about my country” contest, has since come to an end and achieved a lively international resonance.

Coalition with a “patchwork nature”

As part of his general forecast during the hybrid Trade Press Day event, Keill addressed certain parts of the wider business environment and their effects on economic and market development in 2022. He urged politicians to “solve problems and not create any new ones”. The latter, he lamented, has been the case often enough. In particular, he criticised the supply chain law passed by the previous German federal government. Whilst there has been discussion of major supply problems, Germany is the only EU member to voluntarily adopts additional regulation on the national level. He indicated that all sides must be aware that, in

addition to its competition-distorting effects, this new law would ultimately further intensify the ongoing procurement issues.

In Germany, there is currently “probably no alternative” to the formation of a “Traffic-light coalition” between the Social Democratic Party, the Free Democratic Party and the Greens. As a result of the sometimes extremely varied principles of the three parties involved, however, it will be difficult to reach a “common narrative”. Instead, the coalition will have more of a “patchwork nature” with a focus on prestige projects for each member. Nevertheless, the new government must quickly establish its ability to act. Keill advocated for “giving it a fair chance and allowing it to get on with things”. He went on to state that clear statements and conclusions regarding the economy are needed even if they are exaggerated, such as in terms of environmental protection. Public discourse about economic issues and concepts is also long overdue. The opinions of the Council of Economic Experts, established by law nearly 60 years ago, would be suitable for this, for example. The government should revisit the analyses and predictions of the “Five Wise Men” of the Council of Economic Experts and open them up for discussion.

The global pandemic will remain an important but unpredictable influencing factor in 2022. In the view of Roto, the material crisis may gradually relax, probably causing the situation in terms of availability and price to settle down by the middle of the year. Continuation of the exceptional global boom in the construction sector is not certain, despite predominantly good forecasts. The best case will result in a stable or slightly growing end user market. The question of whether and to what extent the current explosion in construction costs will result in a lower willingness for the general public to make new investments is still unanswered. The end of the “pipeline phase” and the resulting reduction in excessive stockpiles that do not reflect demand on the part of the trades and craftspersons has probably caused overall volumes in Roto markets to fall by up to 5%.

Well positioned strategically and operationally

In addition to the ongoing topic of “digitisation”, sustainability will be a priority for the work of the Holding and its divisions in future. This involves complex challenges for companies, with an obligation to provide detailed reports. Based on a substantial expansion in content, sustainability is developing from a pure and fairly non-binding “hygiene factor” to a “hard-nosed” exclusion criterion regarding financing concepts, for example. The EU Commission is seeking to establish a unified set of regulations by 2023, which is to be implemented on the national level from 2024. Keill made it clear that this also affects many window and door manufacturers, since according to current planning, the relevant guidelines will affect all companies with an annual turnover of at least 40 million euros and at least 250 employees. The entire sector would therefore do well to engage intensively with this matter.

In 2022, the Roto Group therefore once again needs to assert itself in a challenging field beset with a wide range of unpredictable factors. It is well positioned to do so both strategically and operationally, but it nevertheless does not wish or intend to rest on its laurels. Instead, the only choice is once again to ensure flexible and customer-oriented operations, to be stable and reliable, and to continue to optimise processes and products. To provide a firm basis for the specific objectives this entails, Keill announced two key parameters to the roughly 75 journalists from 15 countries who were in attendance or watching remotely: “In 2022, we

want to achieve a substantial increase in turnover even on top of our current high level, and reinforce our growth trajectory in terms of profitability as well.”

Captions



Dr Eckhard Keill, Chairman of the Board of Directors, commented on the development of the Roto Group during the 16th International Trade Press Day succinctly by saying: “We have understated the case”. He explained that the construction supplier’s results have surpassed all expectations and may end up setting a new record.

Photo: Roto

Eckhard_Keill.jpg



Although the market perspectives “are by no means perfect”, the global Roto Group intends to continue pursuing its current growth trajectory in 2022 as well. To this end, the Group will follow the previously successful principle of ensuring flexible and customer-oriented operations, being stable and reliable, and continuing to optimise processes and products. The photo shows the Aluvision location Velbert near Düsseldorf.

Photo: Roto

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Publisher: Roto Frank Holding AG • Wilhelm-Frank-Platz 1 • 70771 Leinfelden-Echterdingen
• Germany • Tel. +49 711 7598 0 • Fax +49 711 7598 253 • info@roto-frank.com

Editor: Linnigpublic Agentur für Öffentlichkeitsarbeit GmbH • Fritz-von-Unruh-Straße 1 •
56077 Koblenz • Germany • Tel. +49 261 303839 0 • Fax +49 261 303839 1 •
koblenz@linnigpublic.de