



Press release

Date: 13th/14th November 2018

Roto Group grows dramatically in 2018 / 5% turnover increase expected / Important markets “determined by external influences” / International construction industry: everything is in order / Window and door technology: pleased with moderate increase / Good roof window business / Targeted investments and acquisitions / Revenue situation: still need for improvement / Politics causes “extremely volatile conflict situation” / Risks for global economy and company / Continuing to impress in 2019 with the company’s own strengths / Customer benefits as the brand’s core value / Establishment of the new group structure

Roto experiences growth and criticises sanctions

Kalsdorf / Graz / Leinfelden-Echterdingen – (rp) Overall, the Roto Group achieved a good result in 2018 thanks to “the company’s own strong performance”. It is predicting an overall turnover of around €660 million, surpassing the level of the previous year by around 5% in a global market environment that is, on balance, “passable”. The construction supplier is very worried about the “extremely volatile conflict situation” resulting from major political uncertainty, which is causing a dangerous spiral of “sanctions and counter-sanctions”, is having an increasingly noticeable negative effect on market developments and is making these developments virtually impossible to predict. Regardless of this, the Group is aiming to once again achieve a turnover increase of between 3% and 5% in 2019, therefore contributing towards positive economic development for the company. This is how the chairman described the status and perspectives of the family-owned global player during the 13th International Trade Press Day. As he went on to state in mid-November 2018, in Graz, Austria, the aim is to set the company apart and therefore make the company better than its competitors in a lasting way by following a strategy that is characterised on all levels by tangible customer benefits.

Regions and countries under the microscope

In his analysis of the international construction industry, Dr Eckhard Keill stated that “everything is in order” on the whole for 2018. The Head of Roto described the economic situation in Russia as still “extremely unstable”. In China, the subdued growth trend supported by high demand for renovation is continuing. While the building sector is also continuing to benefit from the good overall economic situation in the USA, the dramatic upswing in Canada has probably now reached its peak. According to data from Germany Trade & Invest (GTAI), stagnation is to be expected at this level for the next few years. The same source indicated that development in Latin America will remain inconsistent. While things are looking better for the construction industry in Argentina, Mexico and Chile, the same still cannot be said for Brazil. The building sector, which is by far the most important one in the region, is not expected to recover until 2019 onwards.

Surveys conducted by the Euroconstruct research network revealed that in Europe the construction volume grew more dramatically for the network's 19 members than it did for the economy as a whole in 2018. However, the predicted 2.5% increase is not following on from the “boom year” of 2017 (3.9% increase). However, given a situation that is differentiated on the whole, Keill emphasised the “encouraging fact” that building activity is increasing in all the countries that were studied. In residential construction, Hungary, Ireland and Portugal were at the top of the growth rankings. By contrast, in its latest available market report, the institute classed Germany, with a relatively modest increase, as well as France, Switzerland, Norway and Sweden at the bottom end of the scale. Although the framework conditions are still good on the whole, the risks are unmissable. These included property prices which are continuing to increase sharply and, for example, potential hindrances resulting from trade disputes and imminent Brexit.

This is why the Euroconstruct experts expected new residential construction to drastically lose its momentum from 2019 onwards. By

contrast, the outlook is good in principle for non-residential construction, which has been relatively scarcely considered to date. According to Roto's Chairman of the Board of Directors: "Both residential and commercial buildings are becoming scarce in Europe. What's more, they all need windows and doors."

Keill concluded by taking a look at the German construction industry. On the whole, this industry is continuing to galvanise its position as a "driving force in economic development" in 2018. However, it should be noted that, when it comes to residential construction, the gap between approval and completion rates has been constantly widening since 2009. In addition, the upturn is once again "failing to make its effects felt" on the renovation market. The well-known capacity bottleneck in the construction industry continues to be reflected here. The shortage of skilled labour behind this is proving to be an increasing hindrance. Other risk factors included the greatest price increase for residential buildings in 11 years and the "rather questionable government funding policies". The "Baukindergeld" (German government grant scheme to help families build and purchase homes) initiative recently introduced may have wholly undesirable deadweight loss effects, especially given the current situation. The expectation that "commercial construction" will soon be the driving force is persisting, and rightly so.

Details of a "passable year"

With regard to developments on the international window and door markets, Keill firstly recalled the judgement he made a year ago that there would be a modest upward trend overall in 2018. This is exactly what happened. However, political crises resulted in unexpected downturns in some markets including Russia, which we will take a look at first of all. It should be expected that the market there will contract again by 8% to 10%. Furthermore, the drastic market slumps in Turkey and Iran are undoubtedly due to politics. The Brazilian market is also still proving to be "extremely weak".

Things look much more encouraging in other markets that are important to the company. The modest growth in China and the continued good development in North America are worth mentioning in this context. Europe is also recording a positive trend on the whole. Here, the spectrum ranges from inconsistent development (Western Europe and Eastern Europe) to moderate growth (Central Europe) right through to dramatic increases (Southern Europe with Spain leading the way).

Keill stated that there is “particular continuity” in Germany. “As has so often been the case in the past”, the official association predictions had to be lowered several times over the course of the year to correct them. The most recently published values indicated that 14.4 million window units were sold and installed in 2018, totalling a growth of around 2%. A similar increase is predicted for 2019. The same underlying trend is prevailing for external doors. Since imports from Eastern Europe are included in the figures, Roto’s analysis from the previous years is repeated: the overall low volume growth may turn into a slight decrease again for the German manufacturer market, at least for windows. During a recent industry event, one speaker expressed the opinion that “in future, windows have to be services, and the sales conversation therefore has to be determined not by the product, but rather its properties and the way in which it is used”. This statement can be considered an “interesting thinking point” at the very least.

In his summary of the international window and door markets, Keill underlined the fact that “had there been no political tumult in 2018, everything would have been OK.” So, besides a great deal of light, there were also some shadows caused by external influences. This is why, all things considered, the year on the market can be described as “passable” at best.

Window and door technology on the rise

In his overview of Roto’s current development, Chief Financial Officer Michael Stangier drew attention to the Group turnover achieved in 2017

(€633.5 million, almost 2% more than 2016) as the starting basis. The plan to exceed this level by 3% to 5% in 2018 is completely realistic – “if no unforeseen circumstances arise”.

Despite somewhat difficult market conditions, by 30th September 2018 the Window and Door Technology Division (FTT) displayed a slight turnover increase compared to the same period in the previous year. After a strong first quarter shaped by “anticipatory effects” surrounding the price increase announced at the end of 2017, the rate of growth has been slowing over the course of the year.

Considering individual regions and countries results in the differentiated picture we are used to. A positive spin can be put on the single-digit decrease in turnover in Russia since this result was better than the general market development. Due to the “desolate past few years on the market”, the importance of business in Russia is gradually decreasing for Roto. Needless to say, this does not apply to China. Here, despite disadvantageous currency effects, the turnover stabilised at the level of the previous year.

Viva España

Stangier reported a dramatic increase in sales revenue for Central and North America. He is particularly pleased with Canada. In Latin America, the dramatic decrease in turnover in Brazil due to the market “spoiled” the otherwise “excellent” development in the region (Argentina, Chile, Peru). Serious political turbulence caused slumps in turnover in Turkey and Iran.

Stangier paints a different picture when it comes to Europe. While he categorised development in Western Europe as “unsatisfactory” on the whole, he singled out the southern part of the continent as a “boom region” for Roto, with Spain being in “a class of its own”. In Germany, the turnover growth that was achieved is surpassing the general market

development. As the logical consequence of this, the division is gaining market shares.

Stangier is convinced that the turnover increase achieved in the division would have been “significantly higher” if some sales regions had not suffered political disruption. Overall, “FTT has done a good job.” The same can also be said of the satisfactory performance in terms of “market shares”.

Positive economic development for the company

In the Roof and Solar Technology Division (DST), business continued to show an strong upward trend over the course of the year after a good start, explained the Chief Financial Officer. By 30th September 2018, this resulted in a mid-single-digit turnover increase.

With a double-digit growth rate overall, business in foreign markets can be deemed “good” without exception. The same applies to the core market of Germany. Here, the turnover increase achieved is all the more significant because the renovation sector, which is critical for the DST business, is continuing to decline in 2018. Roto’s better performance results in encouraging economic development for the company. The company is therefore “extremely happy” with business development, especially since the upward trend shows signs of persisting to the end of the year.

In the upper target region

Stangier put the total Group turnover at 505.6 million euros as at 30th September. This represents an increase of just under 5% compared to the corresponding value from the previous year (483.5 million euros). The high turnover was mainly attributed to the “especially dynamic DST sector”.

As no general “change in climate” is to be expected for the fourth quarter, a turnover of around 660 million euros (following on from 633.5 million euros) can be predicted for the entire year. This means that the growth rate remains at approximately 5% and is in the upper region of the targets specified for 2018. The ratio of international to domestic turnover also remains stable at two-thirds to one-third. The number of employees in the Group, which exhibited a slight upward trend recently, is approximately 4900 as at the end of September.

The Chief Financial Officer furthermore reported on a multi-year investment programme, which will go well into the double-digit million range from 2018 to 2020. One focal point will be the comprehensive new “Roto NX” Tilt&Turn hardware system. Due to the “high level of acceptance on the market” and the rapidly growing demand, the investment will benefit the expansion of both production capacities and the product range.

According to Stangier, the targeted acquisitions strategy also lead to several takeovers in 2018. He specifically mentioned the acquisition of VBH Mexico for the FTT division, as well as the purchase of Dachfenster Keller GmbH (Switzerland), Wiedemann Sicherheitsbeschläge GmbH and Pfeil und Söhne Service GmbH (both Germany) for the new business area dedicated to “follow-up care for windows and doors”. The ability to access finance without problems for these and any previous acquisitions is a clear expression of Roto’s economic stability.

Price increases “unavoidable” in 2019

The Chief Financial Officer presented the information on the turnover situation in 2018 under to motto of “better, but not good enough”. The situation at FTT continues to be unsatisfactory despite the fact that it was “partially” possible to implement the price increases required to balance the “price explosion for raw materials”, announced at the end of 2017. However, these were not enough to compensate the increased costs of the last years. At DST, on the other hand, there is a positive

trend with regard to revenue. This was the result of increased demand for better equipped roof windows, increases in raw material prices only being passed on in a limited fashion and efficient cost management, as is the case for FTT. Currency effects also tended to have a negative impact on the revenue side for the entire Group. As a result, the Board of Directors sees another price increase for 2019 as “unavoidable”, particularly for FTT.

In 2018 – and therefore in the last year of its previous structure – the construction supplier performed well “overall”. The credit for this belongs less to the markets and mainly to the company’s “own strong performance”. The nearly 60 specialist journalist from 16 countries, who were in attendance in Graz, were told that without the occasional political “spanner in the works”, an even better result would have been possible.

Politics as the biggest problem

Before looking ahead to 2019, Keill presented a brief overview of the new Group structure, announced worldwide at the beginning of October 2018. At the beginning of the year, a “non-operative” holding company and three independent companies will be launched. From the feedback received so far, it is worth mentioning that the new structure is seen as “logical and a good opportunity for Roto” both internally and externally. The future Chairman of the Board of Directors for the holding company briefly summarised the most important advantages as follows: significantly less complexity due to clear, independent units; even faster, more efficient and more economical operations and therefore increased proximity to the customer; the lean principle of “decentralisation rather than centralisation”; the continued stability and reliability ensured for employees, customers and suppliers. In addition, the Roto Group remains wholly family-owned. The new structure therefore ensures both the required change and the desired continuity.

According to Keill, politics will have a significant impact on the general parameters for 2019. This is currently the “largest factor of uncertainty” for global economic development, affects markets much more than just a few years ago and often renders forecasts “a game of chance”. The Head of Roto named the US-China trade dispute and its negative effects on the global economy, the “dangerous spiral of sanctions and counter-sanctions”, increasing protectionism and cracks appearing in the eurozone as the main risks. The latter is the result of Brexit, a matter as yet unresolved, and the aggressive fiscal policy pursued by Italy, among other factors.

On the whole, this makes for an “extremely volatile conflict situation” which Roto is very worried about. The construction supplier strongly opposes any intervention in liberal global trade and fears irreparable permanent damage to the global economy should the “rampant sanctionitis” continue unchecked for much longer. Clear signs of a slowdown are already apparent without an increased number of more sceptical predictions for growth. Even the strongest company stands little chance under such influences, as no one can take precautionary measures to cover all eventualities. Keill concluded his powerful plea for unrestricted market development with a statement that is as much an appeal as it is a hope: “politicians must finally come to their senses with sensible policies”.

Greater turnover and improved yields

Due to major uncertainty, specific predictions for individual markets for 2019 will be dispensed with. In general, they are said to be in a stable or good condition. This applies in particular for China, North America and Europe as a whole, including Germany. Problem markets, such as Russia, Brazil, Turkey and Iran, show significant potential for recovery – yet as “political pawns”, it is not possible for this to be reliably gauged at this time. All things considered, Roto therefore grades important markets as “influenced by external factors”.



Nevertheless, the Group aims once again to increase its total turnover by 3% to 5% in 2019. In terms of absolute figures, the Board of Directors expects the DST company to provide powerful impulses in doing so. More importantly, the priority is for continued improvement of the revenue situation. Establishment of the altered Group structure and in particular the new company, Roto Professional Service GmbH, are also in the spotlight for 2019.

To achieve these “ambitious plans”, Roto has to “concentrate on the company’s own strengths more than ever”. This is the only way in which one can stand up to these external influences as much as possible and, in addition, to make the company better than its competitors on all levels and build on this position. According to Keill, “Roto’s core brand value is our consistent customer benefit strategy. We need this differentiating factor to be a success in what is currently set to be an ‘unpredictable’ 2019.”

Captions

“We are carefully monitoring this volatile conflict situation that has arisen due to significant political uncertainty,” emphasises Dr. Eckhard Keill during the 13th International Roto Trade Press Day in Graz. The Chairman of the Board of Directors of the construction supplier believes that global market developments in the window and door sector, too, are therefore almost impossible to predict. Regardless of this, the Group is aiming for an increase in sales of between 3% and 5% for 2019.

Photo: Roto

Dr_Eckhard_Keill.jpg

Overall, the Roto Group achieved a good result in 2018 thanks to “the company’s own strong performance”. Michael Stangier highlighted this at the 13th International Trade Press Day. For 2018, the Chief Financial



Officer expects an increase in total turnover of around 5% to approximately 660 million euros.

Photo: Roto

Michael_Stangier.jpg

In 2019, Roto intends to trust in its own strengths “more than ever”. This is the only way in which one can stand up to “external political influences” as much as possible in important markets. Furthermore, this will be the basis on which the company makes itself better than its competitors on all levels, it was concluded in mid-November 2018 in Graz, Austria.

Photo: Roto

Roto_Leinfeldten.jpg

“Had there been no political tumult, everything would have been OK in 2018,” summarised Roto regarding the analysis of the international window and door markets. Rather, in addition to a great deal of light, there were also some shadows. Therefore, on balance, the construction supplier speaks only of a “passable year for the market”.

Photo: Roto

Weltkugel.jpg

Print free – copy requested

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

Editor: Linnigpublic Agentur für Öffentlichkeitsarbeit GmbH • Koblenz office • Fritz-von-Unruh-Straße 1 • 56077 Koblenz • Germany • Tel. +49 261 303839 0 • Fax +49 261 303839 1 • koblenz@linnigpublic.de; Hamburg office • Flottbeker Drift 4 • 22607 Hamburg • Germany • Tel. +49 40 82278216 • hamburg@linnigpublic.de