

Statement

on the first
9 months of 2019

RATIONAL AG continues its successful path – growth and earnings outlook for 2019 confirmed

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Key Figures

	3rd quarter 2019	3rd quarter 2018	Absolute change	Percentage change	9 months 2019	9 months 2018	Absolute change	Change in %
in m EUR								
Sales revenues and earnings								
Sales revenues	213.2	194.9	+18.3	+9	612.6	562.2	+50.4	+9
Sales revenues generated abroad in %	88	87	1	–	88	88	0	–
Cost of sales	87.7	81.2	+6.5	+8	251.0	233.2	+17.8	+8
Gross profit	125.5	113.6	+11.9	+10	361.5	328.9	+32.6	+10
as a percentage of sales revenues	58.9	58.3	+0.6	–	59.0	58.5	+0.5	–
Sales and service expenses	47.2	45.5	+1.7	+4	146.7	136.0	+10.7	+8
Research and development expenses	9.5	8.9	+0.6	+7	30.4	27.5	+2.9	+11
General administration expenses	9.2	8.6	+0.6	+7	28.1	24.4	+3.7	+15
Earnings before financial result and taxes (EBIT)	61.3	51.1	+10.2	+20	159.5	142.0	+17.5	+12
as a percentage of sales revenues	28.8	26.2	+2.6	–	26.0	25.3	+0.7	–
Profit or loss after taxes	47.6	39.1	+8.5	+22	124.2	108.5	+15.7	+14
Balance Sheet								
Total equity and liabilities					652.0	556.1	+95.9	+17
Equity					470.5	406.5	+64.0	+16
Equity ratio in %					72.2	73.1	–0.9	–
Cash flow								
Cash flow from operating activities					141.1	106.2	+34.9	+33
Cash flow from investing activities					26.9	37.7	–10.8	–29
Free cash flow ¹					114.2	68.5	+45.7	+67
Number of employees as at 30 September					2,229	2,069	+160	+8
Key figures for RATIONAL shares								
Earnings per share (in EUR)					10.92	9.54	+1.38	+14
Quarter-end closing price ² (in EUR)					658.00	624.00	+34.00	+5
Market capitalisation					7,481.5	7,094.9	+386.6	+5

1 Cash flow from operating activities less capital expenditures

2 Xetra

RATIONAL AG continues its successful path – growth and earnings outlook for 2019 confirmed

9% growth in sales revenues in the first 9 months of 2019

The successful business performance of RATIONAL AG in the first six months carried over to the third quarter, with the company posting 9% growth in sales revenues. In total, sales revenues of 612.6 million euros were generated in the first nine months of 2019 (2018: 562.2 million euros). This represents a year-on-year increase of 9%, which is at the top end of the Company's expectations.

Several foreign currencies of relevance to RATIONAL rose on average against the euro compared with the previous year. The appreciation, above all, of the US dollar (+6%), the Japanese yen (+7%), the Canadian dollar (+3%) and the Swiss franc (+4%) had a positive effect on sales revenues. On a currency-neutral basis, sales revenue growth after nine months stood at 7%.

Above-average growth for the VarioCookingCenter® product group

In the combi-steamer product group, which represents the production and sale of the SelfCookingCenter® and the CombiMaster® Plus, sales revenues after nine months were 8% higher at 558.7 million euros (2018: 516.3 euros).

Sales revenue growth for the VarioCookingCenter® product group continued on a positive note, with an 18% increase in the first nine months of 2019 to 53.9 million euros (2018: 45.9 million euros).

Worldwide growth

Following the rapid rise in sales revenues in the first half of the year (+9%), sales revenues in the home market of Germany in the third quarter were 2% higher than in the prior-year period. For the nine-month period, growth of 7% was recorded in Germany. The VarioCookingCenter® made a significant contribution to business performance in Germany, with sales revenue growth of 21% in the first nine months.

In Europe (excluding Germany), sales revenues were up by 8% in the third quarter, following a year-on-year increase of 5% in the first six months. After nine months, growth in Europe stood at 6%. On a currency-neutral basis, the Europe region was also up 6% on the previous year.

Despite the base effect of very strong growth of 32% in the previous year as a result of a major order from a US chain customer, sales revenues in North America increased by 10% in the third quarter. After nine months, sales revenues were 12% above the previous year, although they benefited from the strong performance of the US and Canadian dollars. On a currency-neutral basis, sales revenues in North America increased by 6%.

Following strong growth in the first half of the year (+15%), sales revenues in Latin America in the third quarter were only 2% higher than in the previous year. For the nine-month period, the region's sales revenues were up by 10%. On a currency-neutral basis, sales revenues also increased by 10%.

Asia increased sales revenues by 16% in the third quarter and thus by 14% in the first nine months. China was again the biggest growth driver, but business in India and Korea also performed very well. On a currency-neutral basis, sales revenue growth after nine months stood at 11%.

Sales revenues in the Rest of the world region were 23% higher in the third quarter. After nine months, sales revenues were 17% above the previous year. Business performed particularly well in the Middle East and Africa.

Gross margin exceeds previous year's level

In the first nine months of 2019, RATIONAL achieved gross profit of 361.5 million euros (2018: 328.9 million euros), an increase of 10% compared to the previous year. The gross margin was 59.0%, slightly higher than in the previous year (2018: 58.5%). The increase is mainly attributable to the positive currency effects on sales revenues. On a currency-neutral basis, the gross margin is at the previous year's level.

26% EBIT margin

RATIONAL generated EBIT (earnings before financial result and taxes) of 159.5 million euros in the first nine months. This equates to growth of 12% compared to the prior-year period (2018: 142.0 million euros). The EBIT margin after nine months was 26.0% (2018: 25.3%). Adjusted for currency effects, the EBIT margin after nine months was around 25%.

Compared with the first nine months of 2018, operating costs grew by 9%, and therefore in line with sales revenues, to 205.1 million euros (2018: 187.9 million euros). Costs for sales and service increased by 8% to 146.7 million euros (2018: 136.0 million euros). Further investments were made in expanding the global sales and service organisation, especially in the overseas growth markets. Research and development costs rose by 11% in the nine-month period, to 30.4 million euros (2018: 27.5 million euros). Administration expenses rose faster than sales revenues in the nine-month period, climbing by 15% to 28.1 million euros (2018: 24.4 million euros). The main cost drivers are the forward-looking expansion of support functions in IT and the commercial division at the Landsberg am Lech location and of administrative positions in overseas markets.

141 million euros in operating cash flow

In the first nine months of the current fiscal year, cash flow from operating activities was 141.1 million euros, well up on the previous year (2018: 106.2 million euros). The rise was mainly attributable to higher profit, a smaller increase in receivables and an increase in additions to provisions compared with the previous year.

The cash flow from investing activities includes investments in property, plant and equipment and in intangible assets. In the first nine months, these investments amounted to 26.9 million euros (2018: 37.7 million euros). This is mainly due to investments in expanding and modernising the machinery installed at the Landsberg am Lech location. The figure also includes investments in refurbishment and preparatory work at the in Landsberg am Lech location and the purchase of a plot of land in Wittenheim, as well as returns from financial investments totalling 13.9 million euros. In total, there was cash outflow from investing activities of -12.9 million euros.

The cash flow from financing activities (amounting to -117.3 million euros) essentially reflects the dividend of 108.0 million euros distributed in May (2018: 125.1 million euros).

116 new employees

116 new jobs were created in the first nine months of 2019, around half of them in Germany. The main focus here was again on the expansion of the global sales and service organisation. In addition, new employees were taken on in production and central support functions. As at 30 September 2019, the RATIONAL Group employed 2,229 people worldwide.

Growth and earnings outlook for 2019 confirmed

Despite the deterioration in general economic conditions, sales revenues increased by 9% in the first nine months of the current fiscal year, and the EBIT margin achieved was higher than in the previous year. Boosted by positive currency effects, business performance in the first nine months of 2019 was at the top end of the Company's expectations; on a currency-neutral basis, performance was within expectations.

The large majority of our customers are so satisfied with the products and services that they would be happy to purchase them again at any time and also recommend them to friends and colleagues. This assessment was confirmed again in the latest customer satisfaction survey in spring of this year. Given the high market potential and close association with the basic human need for food, the Executive Board of RATIONAL AG believes the company is well placed to keep on growing successfully in the fourth quarter of 2019. For this reason, the RATIONAL AG Executive Board confirms the forecast of sales revenue growth in the high single-digit range for fiscal year 2019 and an EBIT margin of around 26%.

Statement of Comprehensive Income

RATIONAL Group

for the period 1 January – 30 September

in kEUR	3rd quarter 2019	3rd quarter 2018	9 months 2019	9 months 2018
Sales revenues	213,182	194,859	612,574	562,170
Cost of sales	- 87,703	- 81,216	- 251,028	- 233,237
Gross profit	125,479	113,643	361,546	328,933
Sales and service expenses	- 47,195	- 45,498	- 146,663	- 135,977
Research and development expenses	- 9,502	- 8,866	- 30,404	- 27,472
General administration expenses	- 9,181	- 8,559	- 28,070	- 24,422
Other operating income	3,617	3,098	8,637	9,000
Other operating expenses	- 1,900	- 2,677	- 5,520	- 8,033
Earnings before financial result and taxes (EBIT)	61,318	51,141	159,526	142,029
Interest income	155	117	498	269
Interest expenses	- 171	- 62	- 523	- 215
Other financial result	460	- 38	1,778	- 255
Earnings before taxes (EBT)	61,762	51,158	161,279	141,828
Income taxes	- 14,187	- 12,023	- 37,088	- 33,329
Profit or loss after taxes	47,575	39,135	124,191	108,499
Items that may be reclassified to profit and loss in the future:				
Differences from currency translation	- 1,117	- 512	- 1,161	- 1,174
Other comprehensive income	- 1,117	- 512	- 1,161	- 1,174
Total comprehensive income	46,458	38,623	123,030	107,325
Average number of shares (undiluted/diluted)	11,370,000	11,370,000	11,370,000	11,370,000
Earnings per share (undiluted/diluted) in euros, based on profit or loss after taxes and the number of shares	4.18	3.44	10.92	9.54

Balance Sheet

RATIONAL Group

Assets

	in kEUR		
	30 September 2019	30 September 2018	31 December 2018
Non-current assets	198,301	154,112	162,264
Intangible assets	7,191	8,103	8,081
Property, plant and equipment	174,900	135,631	142,671
Other financial assets	1,190	982	993
Deferred tax assets	12,048	8,357	8,943
Other assets	2,972	1,039	1,576
Current assets	453,697	401,983	442,176
Inventories	65,851	55,573	57,440
Trade accounts receivable	123,972	119,551	124,440
Other financial assets	72,532	74,337	86,278
Income tax receivables	2,062	670	749
Other assets	20,880	15,042	16,503
Cash and cash equivalents	168,400	136,810	156,766
Total equity and liabilities	651,998	556,095	604,440

Equity and liabilities

	in kEUR		
	30 September 2019	30 September 2018	31 December 2018
Equity	470,529	406,527	455,514
Subscribed capital	11,370	11,370	11,370
Capital reserves	28,058	28,058	28,058
Retained earnings	437,604	372,617	421,428
Other components of equity	- 6,503	- 5,518	- 5,342
Non-current liabilities	37,478	27,189	26,358
Pension and similar obligations	4,997	4,892	4,706
Other provisions	8,360	8,926	8,501
Financial debt	4,334	6,964	6,306
Other financial liabilities	14,576	3,214	3,214
Deferred tax liabilities	50	445	201
Income tax liabilities	2,766	869	1,263
Other liabilities	2,395	1,879	2,167
Current liabilities	143,991	122,379	122,568
Other provisions	64,056	59,331	49,383
Financial debt	5,002	4,858	5,612
Trade accounts payable	22,433	28,181	26,409
Other financial liabilities	9,131	3,498	6,686
Income tax liabilities	18,778	7,139	11,533
Other liabilities	24,591	19,372	22,945
Liabilities	181,469	149,568	148,926
Total equity and liabilities	651,998	556,095	604,440

Cash Flow Statement

RATIONAL Group

for the period 1 January – 30 September

	in kEUR	
	9 months 2019	9 months 2018
Earnings before taxes (EBT)	161,279	141,828
Cash flow from operating activities	141,085	106,242
Capital expenditures in intangible assets and property, plant and equipment including proceeds from asset disposals	– 26,875	– 37,713
Cash flow from financial investments	13,936	77
Cash flow from investing activities	– 12,939	– 37,636
Cash flow from financing activities	– 117,295	– 127,550
Effects of exchange rate fluctuations in cash and cash equivalents	783	– 460
Change in cash and cash equivalents	11,634	– 59,404
Cash and cash equivalents as at 1 January	156,766	196,214
Cash and cash equivalents as at 30 September	168,400	136,810

Statement of Changes in Equity

RATIONAL Group

in kEUR

	Subscribed capital	Capital reserves	Retained earnings	Other components of equity		Total
				Differences from currency translation	Actuarial gains and losses	
Balance as at 1 January 2018	11,370	28,058	389,188	- 3,341	- 1,003	424,272
Dividend	-	-	- 125,070	-	-	- 125,070
Profit or loss after taxes	-	-	108,499	-	-	108,499
Other comprehensive income	-	-	-	- 1,174	-	- 1,174
Balance as at 30 September 2018	11,370	28,058	372,617	- 4,515	- 1,003	406,527
Balance as at 1 January 2019	11,370	28,058	421,428	- 4,647	- 695	455,514
Dividend	-	-	- 108,015	-	-	- 108,015
Profit or loss after taxes	-	-	124,191	-	-	124,191
Other comprehensive income	-	-	-	- 1,161	-	- 1,161
Balance as at 30 September 2019	11,370	28,058	437,604	- 5,808	- 695	470,529

Sales revenues by region

RATIONAL Group

in kEUR

	3rd quarter 2019	% of total	3rd quarter 2018	% of total
Germany	25,178	12	24,592	13
Europe (excluding Germany)	90,656	42	83,754	43
North America	40,705	19	36,955	19
Latin America	11,905	6	11,710	6
Asia	32,275	15	27,737	14
Rest of the world	12,463	6	10,111	5
Total	213,182	100	194,859	100

in kEUR

	9 months 2019	% of total	9 months 2018	% of total
Germany	74,030	12	69,213	12
Europe (excluding Germany)	271,837	45	256,373	46
North America	116,778	19	104,429	19
Latin America	33,216	5	30,285	5
Asia	84,498	14	74,383	13
Rest of the world	32,215	5	27,487	5
Total	612,574	100	562,170	100

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Supplementary information on the business data

Fiscal year 2019 is the first year of applying the new lease accounting rules (IFRS 16), which will have an effect on the balance sheet in particular. As at 30 September 2019, right-of-use assets included in property, plant and equipment amounted to 15.9 million euros, and lease liabilities included in other financial liabilities amounted to 16.0 million euros. Prior-year figures have not been restated. The cash flow from financing activities reflected lease payments of 6.3 million euros in the first nine months of 2019.

Disclaimer

This quarterly statement contains forward-looking statements that are based on assumptions and expectations at the time the statement is published. They are subject to risks and uncertainties and the actual results may differ significantly from those in the forward-looking statements. Many of these risks and uncertainties are determined by factors that are outside the influence of RATIONAL AG and cannot be assessed reliably at present. They include future market conditions and economic trends, the actions of other market players, and legal and political decisions. RATIONAL AG is also not obligated to publish revisions to these forward-looking statements in order to reflect events or circumstances that have occurred after they were published.