

# 1 About Etex

Our company & strategy

Message to shareholders **12**

Key events 2019 **16**

Our stakeholders **18**

Strategy **20**

A collaborative,  
agile and customer-  
focused company,  
aimed at inspiring  
ways of living.



# In 2019, we have delivered on all of our strategic priorities

Through relentless strategic execution and group-wide commitment to our three-pillar agenda, Etex made significant strides forward in 2019 toward its ambition: to establish ourselves as a lightweight construction specialist in order to meet global challenges and be a key player in the transformation of the construction industry.

## Advancing on our three-pillar agenda

The future success of our company hinges on three priorities defined in 2018: **profitable growth, operational performance and engaged people**. All of our concrete strategic initiatives and decisions are both driven and enabled by this three-pillar agenda, which requires the dedication of every single Etex colleague around the world.

## Profitable growth

### Financial results

We recorded **remarkable financial results** in 2019 as a group, with mixed divisional results adding up to record top-line growth. Our Building Performance, Residential Roofing and Industry divisions delivered strong growth, while Exteriors was down in the context of a transitional year. Both the REBITDA and net recurring profit (Group share) of Etex have recorded double digit growth, while the net financial debt has decreased with more than EUR 360 million year-on-year, to reach its lowest level since 2011 (read more on p. 15).

### Progress on our six strategic pillars

Last year, Etex made notable achievements related to the six key strategic pillars defined by our leadership team. The group's GBP 140-million investment – the largest in its history – on a **new plasterboard factory** in Bristol (UK) underlines our confidence in the strong potential of the British market and the commitment to our customers. This new, state-of-the-art plant will feature energy- and resource-efficient production technologies.

In order to **maximise our position in fibre cement**, the Exteriors division was launched in January 2019. It centralises the production capabilities, resources and technologies of all our fibre cement activities, achieving greater agility, alignment and customer centricity. While 2019 was a transitional year, robust foundations in quality, innovation and branding were laid, paving the way for a promising future.

In Residential Roofing, we have **divested two large businesses last year**, Marley Ltd (UK) and Umbelino Monteiro (Portugal). This decision is fully aligned with our strategy, as roofing tiles and components fall outside the scope of our ambition to become a global player in lightweight and modular construction. In Germany and Eastern Europe,

we have successfully strengthened our Creton brand.

Our **Promat** passive fire protection and thermal insulation solutions are world leaders in quality, innovation and performance. Last year, we launched a comprehensive brand awareness campaign with clear segmentation and positioning, accelerated our innovation strategy in all business segments and unrolled a digital knowledge centre to share know-how and best practices.

We have also reached four important **digital milestones** in 2019: the creation of a dedicated digital team, the launch of communication platform Hubster, the introduction of a Building Information Modelling (BIM) automation tool, and the fast rollout of Salesforce.

Last but not least, we have decided to create a new division dedicated to lightweight, dry and modular building technologies. Operational since January 2020, **New Ways** combines our expertise in fibre cement and plasterboard solutions with new methods of construction that are faster, more sustainable, resource friendly and affordable than traditional approaches. The division specialises in two core modular building technologies, wood and steel framing.

Jean-Louis de Cartier de Marchienne, Chairman of the Board of Directors

Paul Van Oyen, Chief Executive Officer

## Our deepest gratitude

When it comes to embracing a dynamic global environment, harnessing its opportunities and transforming the world in the process, we cannot do this without our people. We extend our deep appreciation to all of our employees for their commitment to our ambitions and willingness to adopt new ways of working, thinking and acting to transform Etex into the building materials company of the future.

Our heartfelt gratitude also goes to our shareholders, partners and customers for their continuing trust in Etex.

The currently ongoing coronavirus crisis will obviously have a major impact on our performance in 2020, although it is currently impossible to accurately determine it. We are confident that our financial position, strong balance sheet at the end of 2019 and available financial resources will allow us to face the situation. We are determined to take all the necessary measures to protect our employees, to support our customers by keeping our business running, and to continue to Inspire ways of living.

## Operational performance

### New organisational structure

Etex's new structure was discussed in the 2018 annual report and continues to be highly relevant to our 2019 results. A common theme throughout this year's report is the **increasing unity, alignment, agility and focus** that this new structure has given us. The creation of the New Ways division is a huge achievement on this front.

As part of our transformation journey towards a customer-centric organisation, a **Supply Chain** function has been created at group level, with the appointment of a Head of Supply Chain in July 2019. Subsequently, a Supply Chain Center of Excellence is being implemented to harmonise and improve processes to world class levels. By driving these processes we will improve both our efficiency and our ability to partner with customers, as well as delight them.

### One Etex: a movement in motion

In 2018, we introduced One Etex: a global movement that aims to **align processes, activities and collaboration** within our organisation to take performance and customer focus to new heights. After launching the project at our annual Senior Leaders Meeting, we reached several milestones last year:

- **Kick-off of the seven workstreams:** manufacturing, supply chain, finance, human resources, SAP, CRM and master data
- **Simplification of strategic and forecasting processes**
- **Opening of a Shared Services Centre in Vilnius, Lithuania**
- **Go-live of first robot** for process automation
- **Redesign of the performance management process**

### Relentlessly committed to zero accidents

Safety was, is and will continue to be our top priority, as illustrated by our **"Safety is key, it's up to you and me"** slogan. Etex facilities around the world set new records for accident-free days – with nine sites celebrating at least ten years of accident-free operations in 2019.

19.73 safety training hours and 5.8 safety conversations per employee were recorded, and corrective actions were taken following 86% of accidents, serious event reports and near misses. The gravity rate of accidents decreased from 0.40 in 2018 to 0.11 last year, while the number and frequency of accidents remained steady. Moving forward, we remain **committed to becoming a zero-accident organisation**.

### Building a sustainable, socially responsible organisation founded on integrity

**Our new global code of conduct, 'The Etex Way'**, was launched in 2019. It clarifies Etex's commitment to safety, ethics, integrity and its enhanced focus on compliance. It sets out the minimum standard to which all colleagues must adhere so that Etex can maintain its high ethical standards in all countries in which it operates. Our new code is supplemented by an e-learning module guiding employees through the key principles that everyone should follow at all times. Completing this module is now an integral part of the performance review cycle of all white-collar employees.

Sustainalytics issued a report granting Etex an environmental, social and governance (ESG) rating score of 19.9. Etex ranks 9<sup>th</sup> out of 118 peers in Building Products (Industry Group). The report states that Etex is at **low risk of experiencing material financial impacts from ESG factors**, due to its low exposure and average management of material ESG issues.

### Targeting excellence in purchasing

Last year, Etex continued its journey towards **purchasing excellence**, strengthening category management and harmonising purchasing processes. These measures led to material savings of EUR 47 million and will be amplified in 2020.

## How did our businesses perform in 2019?

**On a like-for-like basis, Etex's revenue grew by 4.9% to EUR 2,940 million.**

**Building Performance** recorded significant like-for-like revenue growth of 8.0%, with strong performance in almost all geographies. Excluding the two businesses divested in 2019, **Residential Roofing** recorded a like-for-like revenue increase of 3.9%, mainly thanks to the strong performance of the Creaton brand in Eastern Europe. The **Exteriors** division experienced a transitional first year, with a 3.1% like-for-like reduction of revenue attributable to Northern Europe, Germany, Latin America and the United States. The revenue of the **Industry** division grew by 4.3% like-for-like, with strong revenue growth recorded for the third year running.

**Like-for-like, Etex achieved a 15.6% REBITDA improvement over 2018, reaching EUR 483 million.** This performance is mainly attributable to the combination of the increase in volumes and an improved gross profit. Overheads have been contained following the execution of restructuring measures decided at the end of 2018.

2019 was a record year in terms of **Etex's net recurring profit (Group share), which increased by 12.7% to EUR 187 million.** This strong performance was achieved even in the face of increased net financial charges primarily due to the newly recognised lease debt. Cash generation reached EUR 152 million before dividends, acquisitions and business disposals – also a performance milestone.

**Etex's net financial debt decreased strongly to EUR 331 million** at the end of December 2019, despite the impact of additional lease debt caused by compliance with new lease accounting rules. The reduction can be attributed mainly to proceeds from the sale of Residential Roofing businesses in the UK and Portugal and the continuing favourable effects of the non-recourse factoring programme set up in 2015.

**More details on our 2019 performance on p. 26.**

## Engaged people

### Introducing the Etex Awards

Responding to the results of our first global employee engagement survey in 2018, we introduced the Etex Awards in 2019: **three levels of recognition for individuals and teams** that deliver exceptional performance, significant financial impact or breakthroughs on Etex's strategic goals. 405 Etex Impact Awards and 66 Etex Excellence Awards were presented in 2019. Due to the outbreak of the COVID-19 sanitary crisis, the presentation of the first Etex CEO Award has been postponed until Q2 this year.

### Acting on our sense of purpose

Last year, Etex partnered with non-profit organisation **Techo**, a Latin American housing initiative fighting poverty in countries across the region, to build safe, beautiful, affordable and resilient modular homes for families in Peru. Our call for Etex volunteers generated a tremendous response, with over 400 candidates applying to participate. Together with Techo experts, the Etex volunteers demonstrated our **shared commitment to 'Connect and Care'** by improving the living conditions of nine families in the Ventanilla district near Lima. Moving forward, we will continue to build on our collaboration with Techo and set up new projects embodying our "Inspiring ways of living" purpose.

### Fostering talent for the future

The young talent today will be the Etex leaders of the future. To **shape, develop and inspire our emerging talent**, we organised the second edition of the Etex Explorer programme in 2019 in collaboration with Vlerick Management School (Belgium). Through this intensive week-long programme, our most promising young colleagues have learned more about themselves, our organisation and the path to sustainable profitable growth.

**Paul Van Oyen**,  
Chief Executive Officer

**Jean-Louis de Cartier de Marchienne**,  
Chairman of the Board of Directors



# Milestones of an inspiring year



**FEBRUARY** | Etex launches **Cedral Terrace**, a new application for fibre cement boards for beautiful, durable and easy to install and maintain terrace planks. With this innovation Etex carves out its own niche on the European terrace plank market.

[Read more](#) / p. 45



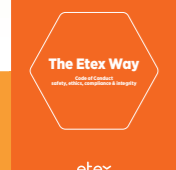
**MARCH** | Etex partners with **Techo**, an international NGO, to help local communities build homes for vulnerable families. Sixteen volunteers from all over the world help construct several houses near Lima, Peru, contributing to our first global corporate social responsibility (CSR) initiative.

[Read more](#) / p. 88



**APRIL** | On the occasion of the **World Safety Day** 2019, Etex takes its safety insights beyond factory walls. Facilities worldwide invite family members, partners, installers and dealers to participate to local activities around safety.

[Read more](#) / p. 78



**APRIL** | Etex publishes its new code of conduct, **The Etex Way**, with the goal of developing and maintaining a strong safety, ethics and compliance culture. The Etex Way provides guidance in identifying risky situations and key recommendations on how to deal with them.

**AUGUST** | Etex sells **Umbelino Monteiro**, its clay tile business in Portugal, to roofing specialist Edilians as part of its strategy to focus on its lightweight construction core business areas in the context of the ongoing residential roofing market consolidation across Europe.

[Read more](#) / p. 53



**JULY** | Etex launches the **Etex Awards**, a global reward and recognition programme promoting ownership of line management to stimulate our culture of people management and feedback. Etex employees, managers and Executive Committee members can nominate their colleagues and teams.

[Read more](#) / p. 84

**AUGUST** | Etex announces the sale of **Marley Ltd**, our subsidiary and the leading UK manufacturer and supplier of roofing tiles and components, to Inflexion. This transaction is fully in line with the strategy of Etex focused on lightweight construction and enables us to concentrate on our core businesses: plasterboards, fibre cement and passive fire protection solutions.

[Read more](#) / p. 53



**OCTOBER** | Thanks to a strong focus on sales excellence, Etex signs an agreement with the **Dangote Group** refinery in Nigeria. As part of this strategic initiative, the Industry division will supply Promat Fendolite fire protection and thermal insulation solutions.

[Read more](#) / p. 63



**DECEMBER** | Three members of the Executive Committee are leaving the company: Joëlle Boxus, Chief Human Resources Officer, Alexander Carnevale, Chief Performance Officer, and Per-Olof Algotsson, Head of Building Performance. Their successors are respectively **Louise Cail**, **Didier Staquet** and **Neil Ash**. All three of them are former Etex executives.

[Read more](#) / p. 96

**SEPTEMBER** | 80 customers from 9 countries gather in our Innovation & Technology Centre in Avignon, France, for the **Innovation Days**, an international, cross-border discussion about innovation.

[Read more](#) / p. 34



**NOVEMBER** | E2E, the Chile-based joint venture founded by Etex and Arauco, signs a share purchase agreement to acquire a majority stake in **Tecverde Engenharia**, a Brazilian innovative building company specialised in wood-frame construction systems.

[Read more](#) / p. 70



**JANUARY 2020** | To respond to global macro trends like rapid urbanisation, shortage of skilled labour and large housing deficits, Etex creates a new division dedicated to new ways of construction and specialised in modular construction. **New Ways** will shape the building industry of tomorrow by further developing new construction methods.

[Read more](#) / p. 70



# Our stakeholders

Customers, employees, partners, suppliers, shareholders, investors, local communities... Our stakeholders are the drivers of what we do. They help us determine the steps towards the future, not only when it comes to product and commercial excellence, but also in terms of sustainability and positive global impact. Providing them with relevant and accurate information about Etex is paramount to build a trust-based relationship and to reach a higher level of transparency.



Our corporate communications team can be reached at [info@etexgroup.com](mailto:info@etexgroup.com)

## Financial stakeholders

Shareholders, investors and financial institutions.

### Our commitment

Optimally balancing sustainable growth and profit while guaranteeing transparent communication about our performance and outlook.

### How we connect and collaborate

Etex's shareholders are presented with relevant information about our business during our annual shareholders' meeting. **Full-year and half-year results** as well as **strategic decisions** are communicated to our financial stakeholders through press releases and other documents published on our website.

## Internal stakeholders

Current and future employees, Senior Leaders and trade unions.

### Our commitment

Maximising their safety, collaborating openly and transparently, and facilitating personal and professional development.

### How we connect and collaborate

Our local businesses maintain a dialogue between **more than 13,000 employees in 42 countries** through tailored communication channels. We engage with our employees at group level through our new intranet platform Etex Core, events, webinars and various communication campaigns.

Etex's **Senior Leaders** from around the world gather annually and attend webinars hosted by the Executive Committee every two months. These events encourage our leaders to ensure that every single one of our employees is informed.

In 2019 a **Business Council** was established, bringing together the Executive Committee and various Senior Leaders. The Business Council meets each quarter.

## External stakeholders

Local communities, NGOs, suppliers and the media.

### Our commitment

Diligently establishing and building upon sustainable and transparent relationships.

### How we connect and collaborate

As specialists within their geographies, our local businesses design and implement optimal communication channels with their surrounding **communities**.

At group level, we partner with international NGO **Selavip**, which supports housing projects for underprivileged people in Africa, Asia and Latin America. We also launched our first group-wide corporate social responsibility initiative in collaboration with **Techo**, a community-building non-profit organisation. In March 2019, 16 Etex volunteers from various countries, divisions and levels have worked together with their Peruvian colleagues as well as with Techo. Together, they have successfully built 10 lightweight construction houses in just a couple of days (see p. 88).

**Press relationships** are nurtured at a local level. Belgian and foreign journalists are also in direct contact with Etex's corporate communications team.

## Commercial stakeholders

Architects, builders, construction firms, distributors, contractors, installers, specifiers and homeowners.

### Our commitment

Proactively meeting their needs by offering superior products in form and function, and empowering them to construct the most efficient, ambitious and inspiring projects.

### How we connect and collaborate

Each of our local businesses shares information with its **customers, suppliers and other commercial stakeholders** which suits their needs. On group level, our Innovation & Technology Centre in Avignon, France, invited some 80 customers from nine countries to co-innovate during our annual Innovation Days event, last year. Our purchasing team engages with our largest suppliers at group level.



# Our continuing journey towards a promising future

In last year's annual report, we presented an overview of the megatrends driving our industry, the Etex purpose, our shared values and our six strategic pillars. This year, we discuss the progress we have made throughout 2019 on these six pillars as we solidify Etex's role as a focussed, global player in the building materials and solutions industry.

## Revisiting our purpose, challenges, opportunities and strengths

At the very core of the Etex essence is a single purpose: **inspiring ways of living**. By leveraging our expertise and global presence and by working as one to put our customers at the centre of everything we do, we strive to inspire people worldwide to build living spaces that are **safe, sustainable, smart** and **beautiful**.

**Safe**  
Etex's innovative fire protection, plasterboard, fibre cement and insulation solutions protect buildings, infrastructure, home appliances and even vehicles from damage.

**Sustainable**  
Our world-leading insulation, lightweight and thermally efficient products, and modular building technologies optimise resource use. We strive to reduce waste and boost efficiency in our own factories as well.

**Smart**  
Etex products and solutions bring affordable,

efficient, and resource-saving benefits to the entire supply chain via innovation, modular technologies and lightweight construction.

**Beautiful**  
Our unique drylining, siding, façade and terrace solutions offer aesthetic appeal, personalisation and architectural freedom.

In achieving our purpose, we face challenges as well as opportunities. In the midst of global megatrends such as population growth, resource scarcity, regulatory complexity, disruptive technologies and housing crises, Etex is already the leader in fire protection, insulation and fibre-cement solutions, and holds strong positions in all of our markets and geographies.

By building on our strengths, we believe that **we are fully equipped with the resources, focus, talent and drive to harness industry disruption**, paving the way for agility, partnerships and ever-more-effective solutions. As part of this approach, we are convinced that **lightweight and modular building technologies** hold critical keys to a safer, smarter, more beautiful and sustainable world.

## Our 3 values



## Our 3 strategic priorities





# 6 pillars of focussed growth: summarising our progress in 2019

In order to become a more focussed player in our industry that is prepared to meet the challenges of today's dynamic world, we have defined **six initiatives for strategic execution**. In the following section, we highlight our key advancements in 2019.

## 1. Managing our strong position in plasterboard

In 2019, we committed to the **biggest investment in the history of Etex** in the UK, Europe's largest plasterboard market. This new plasterboard factory in Bristol – a GBP 140-million investment – will bring us even closer to our customers and empower us to harness a growing lightweight construction and plasterboard market (see p. 33 for more details).

Moving forward, our strategy is to build on our existing stronghold markets in Europe and Latin America, **strengthening our position** there. Managing our margins efficiently will be crucial here, as illustrated by the favourable global results of the Building Performance division last year (see p. 32 for more details).

## 2. Maximising our fibre cement position

As a result of the January 2019 launch of the new Exteriors division, all Etex activities related to fibre cement now share the same production capabilities, resources, network and technologies. As our fibre cement activities cover both façade and roofing

applications for architectural, residential and agricultural customers, the goal of this new division is to **optimise synergies in production and go-to-market strategies**, unlocking greater agility, alignment and customer centricity (see p. 40 for more details).

As innovation is also part of our history since day one, **we extended our activities into decking** with Cedral Terrace: a beautiful, durable material that offers a unique experience (see p. 45 for more details). In 2020, we will focus on fully commercialising this residential product.

In the building boards segment, we have successfully maintained our position in markets where we are the leader. In the other markets, we have improved our profitability through added value applications.

## 3. Strengthening our Promat brand

Promat is Etex's **world-leading brand** for passive fire protection and thermal insulation, offering expertise and solutions to help make the world a safer place. These solutions can be found in hospitals, schools,



high rise buildings, airports, tunnels and commercial projects all over the world. Last year we delivered the single largest order of fire boards in our history for the Gaasperdammertunnel in Amsterdam, the Netherlands. Our passive fire protection solutions were installed in the new Deloitte Office building in Luxembourg as well as in the new Montlégia hospital in Liège, Belgium.

Through the Promat brand, Etex actively contributes to European fire safety organisations and construction industry safety standards. We have been selected as technical partner for the European Research Project EQUFIRE (Multi-hazard performance assessment of structural and non-structural

components subjected to seismic and fire following earthquake).

Following a comprehensive brand survey and under the new tagline 'Together, creating a safe and sustainable future', the Industry division launched a **brand awareness campaign** and new website last year. The goal was to sharpen the way Promat is commercialised worldwide. There is now clear segmentation and brand positioning which is shared throughout the entire Promat sales organisation (see p. 64 for more details).

We are **accelerating the execution of our innovation strategy** in all core business segments, reducing project cycles where possible and prioritising most promising innovations. We have launched the PROMETECT TF-X fire board for tunnels and PROMASTOP FC-MD for fire stopping applications.

In order to share fire safety expertise and best practices within Etex, the Minerva knowledge centre was launched in 2019. Moving forward **Promat will intensify investments in digital solutions**, bringing new value to our customers and improving their experience with fire protection. New initiatives will focus on improving efficiency, high quality and uncompromised safety.

## 4. Continuing to develop our roofing position

In line with our strategic decision to become a world-leading player in lightweight and modular construction, we have **divested two large Residential Roofing businesses** last year.

Marley Ltd, our leading UK business for the production of roofing tiles and components, was sold to Inflexion in August. The same month, our Portuguese clay tile business Umbelino Monteiro was acquired by roofing expert Edilians. Both are strong parent companies and will provide new opportunities to these companies (see p. 53 for more details). Etex will continue to seek win-win opportunities in line with its strategy.

## 5. Developing digital capabilities in key areas of the value chain

2019 was a capstone year for Etex in terms of digital capabilities development. Four important milestones were reached:

- 1. Introducing a dedicated digital team**  
Beginning with a digital strategy rooted in the Etex purpose, we formed a cross-divisional, cross-functional digital team.
- 2. Hubster launch**  
This new digital platform will be the foundation for everything we do at Etex. It centralises information, content, apps and tools and interconnects both processes and people. In May 2020, a Hubster-based customer portal will be launched, empowering our customers through self-service and fostering deeper relationships.
- 3. Building Information Modelling (BIM)**  
Etex's new BIM factory project kicked off last year. This powerful tool will automate BIM creation anywhere in the world, enabling Etex to respond to local needs as they emerge. In rethinking the value chain, BIM will offer Etex a significant strategic advantage.
- 4. Fast rollout of Salesforce**  
Salesforce was successfully launched to 34% system users, ten months after the project started.

## 6. Making targeted investments in lightweight and modular construction methods

Etex's future lies in **lightweight, dry and modular construction techniques**. Not only do these industrialised building technologies and approaches optimise the use of water and raw materials, they are also faster, cleaner, more affordable, high performing and easily customisable.

As of January 2020, Etex's participation in E2E, the Etex-Arauco joint venture that develops and manufactures wood-framing end-to-end building solutions, and EOS, a steel framing business acquired by Etex in 2016, are now the domain of **our brand new division, New Ways**. Further underlining Etex's commitment to lightweight and modular, E2E also finalised the acquisition of Brazilian wood-based framing technology pioneer Tecverde in early 2020.

In gathering the expertise and technologies of these important modular and lightweight building businesses, we solidify our goal of **shaping the future of construction** – first in Europe and Latin America, and then across the globe.

See p. 70 for more details on the New Ways division.

