

Residential Roofing

The Residential Roofing division was defined on 1 January 2019 and gathers the group's clay and concrete tile roofing activities (as well as components and accessories). In 2019 it focussed on its performance while delivering on the divestment strategy in place to enable the smoothest, most streamlined transition possible. **Paul Van Oyen**, CEO of Etex and Interim Head of the Residential Roofing division until October 2019¹, tells us more about the past, present and future of the business.



→ Paul Van Oyen, CEO & Interim Head of Residential Roofing¹

Can you sum up 2019 in a few words?

'Steady' would be one defining word of the year in terms of performance, with challenging conditions in some areas being balanced by significant successes in others. Our activities have evolved in a particularly positive way in Eastern Europe, while we have been able to compensate for adverse conditions in Germany. The other word, paradoxically, is 'evolving', as we have continued to deliver on the strategic shift of the group initiated two years ago.

What is the rationale behind the strategic shift?

The 2011 acquisition of the European and Latin American activities of Lafarge Gypsum was a major strategic step for Etex. It took us a few years to truly assess how this milestone would redefine the future of the group. Two years ago, we decided to execute a strategic shift by focussing Etex on lightweight and modular construction. Our goal is to become a world-leading player in the sustainable, cost-effective, quality-focussed building technologies of the future.

In this context, residential roofing, which is a heavy construction materials business, doesn't quite match our vision of the future anymore. This is a fact especially since

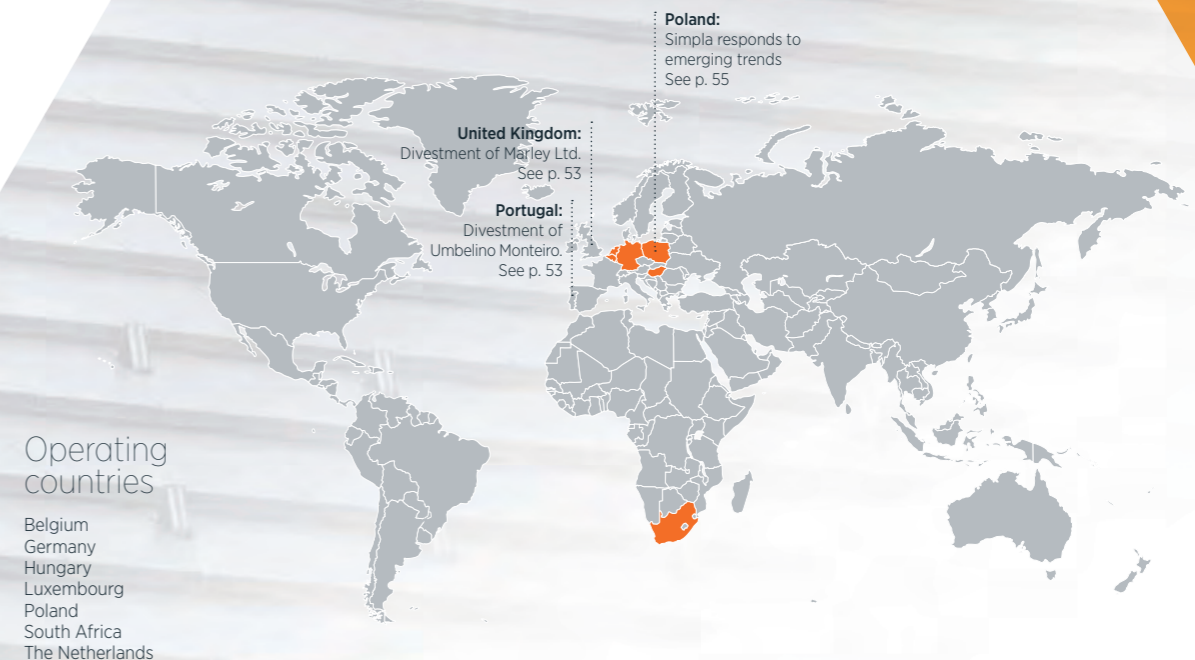
the roofing market is being consolidated, which led us to make important decisions. Participating in this consolidation would indeed require a lot of investment. We decided instead to make these in lightweight construction, an equally capital-intensive business, but one that is in line with our purpose. 2019 was a turning point in the realisation of our ambitions. On the one hand, we created the New Ways division, which is dedicated to modular construction methods. On the other, we have divested two major businesses in our Residential Roofing division.

Can you tell us a bit more about these divestments?

The first step was taken in August, when we sold our Portuguese clay tiles business Umbelino Monteiro to roofing solutions provider Edilians. An even bigger decision was taken at the end of the same month, when Marley, the leading UK manufacturer and supplier of roofing tiles and components, was sold to Inflexion. I would like to emphasise that in both cases, we are convinced that the new parent companies will offer many new opportunities to Umbelino Monteiro and Marley.

¹On 21 October 2019, Christoph von Nitzsch succeeded Paul Van Oyen as Head of the Residential Roofing division.

We made targeted divestments and focussed on commercial and operational performance.



Revenue of Residential Roofing
(in EUR million - excluding the disposed businesses in the United Kingdom and Portugal)



Comparatives have been restated to reflect the new divisional structure of Etex as from 1 January 2019.

How did we perform in 2019?

For the Residential Roofing division, 2019 was a year of focus. After moving fibre cement roofing activities to the Exteriors division in the beginning of the year, the Residential Roofing division started 2019 with a coherent foundation that is fully integrated and operational. Two businesses were sold, the closing of the clay tile factory in Malsch was finalised, and greater emphasis was placed on the strong Creton brand.

Revenue

Europe

2019 was a positive year, with leading performance recorded in Eastern Europe and a slightly improved top line in Germany despite difficult market conditions. It was also the first full year of activity of the new entity Creton Benelux.

Poland: 2019 was the division's best year ever in Poland, thanks to a thriving market in both the clay and concrete tile segments, and to Creton's leadership position. The new Simpla tile was launched last year, which already has a very favourable outlook (read more on p. 55).

Hungary: the business had a very good year, as the division's sole facility in this country operated near full capacity throughout the year.

Germany: the German pitched roofs market declined further in 2019, impacting Creton's volumes. The business was able to offset this market impact, resulting in a slightly increasing top line year-on-year. Residential

Roofing's facility in Malsch, Baden-Württemberg, was closed at the end of the year without causing any business disruption.

El-Tec: this joint venture (51% held by Creton) specialising in the production of abutments and ridge rolls using innovative materials, became a supplier to our competitors thanks to the quality of its products.

Africa

As the corrugated sheets activity in Nigeria is within the scope of our Exteriors division since 1 January 2019, Marley South Africa is the only remaining activity of Residential Roofing on the continent – and outside of Europe. The company performed well last year despite challenging political and economic conditions as well as competitive pressure. Sales are nearly flat, yet margins improved over 2018.



Profitability

Thanks to good market conditions and improved margins as well as a better utilisation of production capacity, the division's profitability significantly improved in 2019, particularly in Germany and Eastern Europe.

Strategic divestments in 2019

Marley Ltd., UK

The division's largest divestment of 2019 took place at the end of August. Marley Ltd, an Etex subsidiary and the leading UK manufacturer and supplier of roofing tiles and components, was sold to Inflexion. Marley has some 600 employees and operates five manufacturing sites and two distribution centres. The divestment comes after 20 years of operation within Etex.

This divestment is in line with the group's wider strategy of building on our strengths, and we are certain that Inflexion will continue to add value to Marley.

Umbelino Monteiro, Portugal

Umbelino Monteiro specialises in the production of unique clay tiles for niche projects and restorations. As part of its strategy, Etex closed the sale of this business in early August 2019 to French

based group Edilians.

Umbelino Monteiro employs around 100 people and operates three production lines.

The divestment comes after 12 years of operation within Etex. With a network of twelve clay tile manufacturing sites, Edilians – formerly Imerys Toiture – is a leading provider of roofing solutions in Europe and brings close to 180 years of know-how and heritage.

All activities of Umbelino Monteiro related to fibre cement building materials, a core technology of Etex, remain with Etex.

Key commercial initiatives

Highlights of 2019 for Residential Roofing include product launches and commercial successes in Poland and Hungary as well as unique partnerships. The division continues to focus on its well-performing brands and markets where it leads the industry.

Creaton Germany honours influencers

The 2020 Dach+Holz International trade fair for the roofing and timber construction sector was the perfect setting for Creaton Germany to issue the very first Creaton Influencer Award.

This award recognised social media influencers in the roofing domain. During a two-stage competition, online users selected five favourites from a pool of eleven nominees. Next, an external panel of judges chose the winners during a livestreamed event. The competition gathered 500 visitors at the Creaton stand.

Creaton Poland puts roofers in the lead

To establish even closer relationships with installers, Creaton Poland created

the TOPdekarze ('TOP Roofers') online platform in 2019. Via this platform, roofing companies can browse articles on roofing products, installation tips and expert advice. There is even a competition where roofers can accumulate points by logging into the platform regularly, by taking quizzes and performing tasks online, and by building roofs with Creaton products. The 50 roofers earning the most points between September 2019 and April 2020 will win participation in an automotive event.

First year of Creaton Benelux

2019 saw the creation of Creaton Benelux. Throughout the year, its team organised and participated in several events, roadshows and fairs to strengthen relationships with roofers, distributors, turnkey companies and architects. As such, the team's various Roof Top events invited around 650 people leading to 200 Creaton ambassadors. In May 2019, the team also participated in Architect@Work, a unique platform that introduces innovative products to architects in Belgium and beyond. In November, Creaton Benelux took part in the Belgian Roof Day. There, the team underlined their commitment to be a reliable partner offering attractive, high-quality clay and concrete pitched roof solutions.



Introducing customised, end-to-end roofing systems

With the goal of broadening its roof system portfolio, Creaton Hungary launched a brand-new steel and aluminium rain gutter system in Southeast Europe in 2019. The breadth of this range offers customers fully integrated gutters and accessories in the same colour variations as Creaton roof tiles. The team developed a proprietary coating, ROBUST, to ensure that the metal surface of the rain gutter systems are optimally protected against mechanical damage. The coating also fulfils every requirement of the highest UV resistance class (RUV4).

Simpla

Responding to emerging trends with a market-leading product

Why Simpla is on track to become a leading product on the Polish roof tile market

- Ultra flat, tough, large format
- Watertight, resistant to challenging weather conditions
- Easy to install
- Available in market-specific colours

After the continuing success of flat-style roof tiles on the European market, the Residential Roofing team in Poland saw a fruitful opportunity. **Sławomir Sobota, Regional Sales Director:** "Demand for this type of tiles was just emerging in Poland, and we wanted to lead the market with something truly unique. We made full use of the internal Etex network during the design phase, working closely with the competence center in Belgium and experts in Germany and Hungary."

"As a result, Simpla is – simply – an excellent product. We funnelled so much effort into creating the simplest, most beautiful, flattest product, mixing highly refined clay from two different sources and stabilising the tile with engineered ribs. There's nothing else like it in Poland."

When it comes to residential construction in Poland, flat roof tiles are trending. Homeowners building modern new houses want to incorporate flat, wide-format roof tiles in dark colours into their designs. The Residential Roofing team performed intensive market research to discover exactly what local residents look for in a roof tile. "Because of this laser-sharp customer-centric approach, Simpla took off", **Sławomir** continues.



The main differentiating features of Simpla are its modern and extremely flat shape, its durability and its ease of installation. "Roofers in Poland are big believers in Simpla, thanks to our multi-channel marketing campaign and the training sessions we offered them via our academy", **Sławomir** explains. "Because homeowners construct homes only once or twice in a lifetime, we knew we had to convince installers that Simpla is the perfect product – and we succeeded."

→ Sławomir Sobota,
Regional Sales
Director at Residential
Roofing Poland



Simpla is one of the most modern, highest-quality and best-made roofing products of its kind. So many people have confidence in Simpla, from roofers and homeowners to engineers.

Our partnership with Terhalle

Supporting a growing business partner and long-time Etex ambassador

Established over three decades ago in Germany, the Terhalle construction firm has championed Creton roofing solutions almost from the start. From the beauty and durability of the product range to the quality of the collaboration with the Etex team: it is clear why this partnership works so well.

Ludger Wittland
Managing Director and
Head of Marketing,
Sales & Procurement,
Terhalle Holding

Watch
the video



What

A growing Germany-based firm specialising in roofing solutions and timber construction

Where

Germany and the Netherlands

Why

The breadth, quality and exceptional experiences enabled by Creaton roofing solutions

Who

Bringing world-class roofing solutions to homeowners and architects across the region

A star in the German construction industry firmament

Established in 1986 as a carpentry company, Terhalle has since grown enormously, with expansion after expansion. "We started to build our first timber homes in 1992", explains **Managing Director and Head of Marketing, Sales & Procurement, Ludger Wittland**. "In fact, we pioneered this approach in the region, moving on to end-to-end construction in 1995."

After acquisitions in 2007, 2010 and 2019, Terhalle Holding now employs 400 people in four departments: timber construction, turnkey construction, interior fittings and windows & facades. "We have also set up a brand-new company in the Netherlands focussed on installing windows, facades and doors", Ludger continues.

"At our headquarters in Ahaus, Germany, we have a 65,000 m² facility, with 100 of our employees working offsite for our subsidiaries in the domains of metal construction and roofing."

A strong proponent for Creaton roofing components

After 30 years of experience in the residential construction industry, the Terhalle team has strong feelings about the products they recommend to their customers.

"We've worked with Etex Creaton clay tiles and roofing systems for many, many years, and have incorporated Creaton solutions into countless projects", Ludger asserts. "Whenever we have the opportunity to advise a customer, we recommend Creaton. Over 90% of the buildings that we have roofed are fitted with Creaton tiles."

Creaton is the key clay and concrete roofing tiles and components brand of Etex's Residential Roofing division. From historically accurate renovations to cutting-edge architectural builds, Creaton features in diverse residential and commercial projects all over Europe. The range includes tiles for pitched and flat roofs and matching components in many colours, glazes, shapes and profiles. "There is a Creaton option for almost any project", says Ludger.

Never change a winning team

As Terhalle relies so heavily on Creaton solutions, a unique collaboration with Etex is key to their success – and success benefits both parties.

"Because we are so focussed on Creaton products, we work very closely with Etex", Ludger goes on to say. "We treat each other as equals and we can count on a

Our customers trust us to recommend the best products and solutions. With Creaton, we can offer a full solution that includes roof tiles and all needed accessories - we lack nothing. It is because of this that we always recommend Creaton products.

Ludger Wittland, Managing Director and Head of Marketing, Sales & Procurement, Terhalle Holding

Creaton's assortment is great, the accessories are high quality and the support is fantastic. 90% of our roof tile sales are linked to Creaton products, and – just like in football – we'd never change a winning team.

Ludger Wittland, Managing Director and Head of Marketing, Sales & Procurement, Terhalle Holding

dedicated Creaton sales team. They are very engaged and advise us on approaches to construction issues – another reason why we send large orders Creaton's way."

Terhalle customers include homeowners, architects and even public organisations. In Germany, the public sector – often in the form of housing associations – is responsible for large residential construction projects and works with architects to complete them. Architects specify materials and services needed in a bill of requirements, which is published publicly on a portal for construction firms like Terhalle to bid on.

Ludger: "It was through this process that we were able to recently win two large public contracts, recommending Creaton roof tiles in both cases. For the Emscher housing association, we processed and

installed over 2,000 m² of Creaton tiles for a single project. In this case, we advised the customer to choose Creaton over the roof tile requested in the public announcement. In Münster, we built a kindergarten that also features Creaton tiles."

"When it comes down to it, Creaton is our only choice in roof tiles. We don't need to work with any other supplier, because the relationship we have with Etex works so well. It's like in football: never change a winning team."

Creaton travels to East Asia

The Terhalle leadership team has even taken Creaton roof tiles to the other side of the world to star in a unique project.

"During an exhibition in Germany, we met with three South Korean peers that requested our help with a show house with the theme of 'Made in Germany'. Two years ago, we finished the construction of a beautiful family home in South Korea, constructed completely out of German-made products – including Creaton roof tiles."

"This is a great opportunity to bring modern building trends to new markets, and we look forward to broadening our collaboration with international peer companies – alongside Creaton."

