Bewusst bauen.

Speech by Rainer Hüttenberger,
Chief Executive Officer
of STO Management SE, Stühlingen/Germany,
acting for Sto SE & Co. KGaA, Stühlingen/Germany,
on the occasion of the Annual General Meeting
on 19 June 2024

- The spoken word prevails -

Initial chart

Ladies and Gentlemen,

Welcome to the Annual General Meeting of Sto SE & Co. KGaA. We appreciate your interest and your attendance. Over the next 45 minutes or so, I will present the key figures for the 2023 financial year and give you an outlook for the current year. I would also like to take a look behind the scenes at Sto, shed some light on the background and present some of the innovative and creative projects with which we are realising our strategic goals.

In 2023, Sto once again performed well - even though the conditions were anything but helpful: we were able to achieve our target which was adjusted in November, and we will once again distribute an attractive dividend. I would like to thank our employees in particular for making this solid result possible. I think that's worth a warm round of applause!

Chart: Housing completions in Germany

What characterised the environment in which we were operating? On the one hand, like all companies worldwide, we had to come to terms with geopolitical conflicts and tensions. After the enormous challenges of the last few years with the pandemic, supply bottlenecks, the Russia-Ukraine conflict and the resulting consequences that we are still feeling, the Middle East conflict and the almost globally weakening economy were added to the mix.

On the other hand, Sto's business performance is linked to the development of the construction industry. In Germany, by far our most important market, construction is going through difficult times. The chart shows how supply and demand are developing in opposite directions. The red line shows the growing population and the resulting increase in demand for housing. You can see from the shrinking bars that the number of housing completions is falling in the opposite direction.

In their coalition agreement, the governing parties emphasised that 'housing is a basic need' and promised to make construction and housing affordable, climate-neutral, sustainable, accessible and innovative. 'Our goal,' I quote from the 2021 coalition agreement, 'is to build 400,000 new flats per year.' In 2023, only 294,000 flats were completed in Germany. According to the Federal Statistical Office, the number of approved flats in 2023 fell to 260,100 compared to the previous year, and with that to the lowest level since 2012.

Despite the high demand and contrary to the political objective, too few flats are being built in Germany. And the problem will continue: in its spring report, the German Council of Real Estate Experts assumes that there will be a shortage of around 600,000 flats in Germany this year and that the number will continue to rise in the coming years. Supply and demand are therefore drifting further apart.

Chart: Significant rise in interest rates in 2023

The sharp rise in financing costs is also to blame for the lack of momentum. While low interest rates have been a key driver in residential construction in recent years, the significant increase in construction interest rates shown here has made financing much more expensive since the end of 2021. We will feel the consequences even more strongly from this year onwards, as the shrinking number of building permits will only have an impact on construction activity after a certain time lag.

Chart: Increase in construction costs – Development in the trades since 2000

The rise in interest rates is not the only reason why building has become substantially more expensive. Here you can see the development of costs in the individual trades, which have consistently increased by triple-digit percentages since 2000. The sharp increases of up to 336 % are the result of higher material and process costs on the one hand, but on the other hand construction is also becoming more expensive due to the growing number of regulations, levies and fees.

Chart: Increase in construction costs – Trades that are relevant for Sto aren´t cost drivers

A more detailed look at the individual service areas shows that the trades relevant to Sto – marked in green here – are not among the price drivers.

The proportionate costs for insulation work have only increased by 0.4 % since 2000 in the shell construction sector, while the proportion of costs for painting and interior plastering in the finishing sector has actually decreased.

Chart: Sto Group 2023 – Forecasted turnover and earnings targets achieved

In addition to the difficult market environment in which we operated in 2023, the weather conditions, which can always have a major impact on our business performance, were unfavourable. And there was a great deal of uncertainty on the part of investors due to the unclear political line, which I will come back to.

Chart: Sto Group turnover

Despite the slowing factors, the Sto Group's turnover reached our forecast target of around EUR 1.72 billion in the 2023 financial year (previous year: EUR 1.79 billion). Compared to the previous year, this corresponds to a decrease of 3.9 %. At the beginning of the year, our expectations were higher: at the Annual General Meeting a year ago, we had forecast a turnover volume of EUR 1.91 billion. We corrected this figure to EUR 1.76 billion in August and then adjusted it again to EUR 1.71 billion in November due to the difficult market environment.

Chart: Sto Group turnover – Germany / outside of Germany

In 2023, turnover in Germany fell by 6.0 % to EUR 716.1 million (previous year: EUR 761.8 million), while turnover generated outside of Germany by the Sto Group decreased by 2.3 % to EUR 1,001.9 million (previous year: EUR 1,025.6 million). The share of Group turnover volume generated outside of Germany increased from 57.4 % in 2022 to 58.3 %.

Chart: Sto – Segment turnover

In the largest segment, Western Europe, which also includes Germany, Sto achieved a turnover of EUR 1,348.4 million (previous year: EUR 1,405.3 million). The decrease of 4.0 % compared to the previous year was mainly due to the unfavourable weather which limited the activities in the exterior. Turnover also decreased in the Northern/Eastern Europe segment, falling by a total of 7.4 % to EUR 164.7 million (previous year: EUR 177.8 million). Within the Americas/Asia/Pacific segment, where a slight increase in turnover to EUR 204.9 million was achieved (previous year: EUR 204.3 million), there was an extremely contrasting development: the companies in North and South America recorded growth without exception despite the negative development of the dollar, while the volume of business in Asia decreased. The market remained under strong pressure, particularly in China.

Chart: Sto Group turnover – turnover by product segment

Here you can see the breakdown of turnover by product segment. Our core area of facade systems, which includes external wall insulation systems and rainscreen cladding systems, accounts for what is by far the largest share of consolidated turnover. Although these products make a significant contribution to improving the energy efficiency of buildings, turnover remained almost 5 % below the previous year's level.

The second largest product segment, facade coatings, comprises render and paint systems for exterior applications. Turnover here decreased by around 2 % in 2023.

Interior products include plaster and paint systems for home and office interiors, decorative coatings, interior panelling and acoustic systems for regulating room sound. Turnover here decreased slightly by around 0.5 %.

The segment “other product groups” includes floor coatings, concrete repair products and other products. With a decrease of almost 8 % compared to the previous year, this area was particularly affected by the weak economic development in various industrial sectors.

Chart: Gross profit Sto Group

It was very pleasing that we were able to increase the gross margin rate in the Sto Group from 50.7 % to almost 53.9 % despite the lower total revenues. This resulted in particular from the partial easing on the procurement markets with more stable supply chains and lower purchasing prices in some cases. Compared to the extreme pressure on margins in previous years, the situation here has calmed down. In addition, we continued to pursue our strict cost management and benefited from the sales price increases with which we responded to the drastic cost increases in purchasing in recent years. However, the margin was still below the level we had achieved in the years before 2021. This was when the sharp increase in procurement prices began.

Chart: EBIT and EAT Sto Group

Consolidated EBIT amounted to EUR 126.5 million in 2023 (previous year: EUR 129.7 million) and was therefore within our forecast range. EAT decreased to EUR 85.8 million (previous year: EUR 89.1 million).

Chart: Statement of profit or loss Sto Group

The P&L shows the most important changes once again. You can see the net financial income/expense between the EBIT and EBT items, which was positive in 2023. As a result of the significantly more favourable market interest rates, it improved from EUR -1.4 million in the previous year to EUR 0.9 million.

Slide: Sto Group cash flow

Cash flow from operating activities increased from EUR 95.3 million to EUR 170.9 million. This was due in particular to the lower funds tied up in current assets, which mainly resulted from the reduction in inventories.

Last year, EUR 103.8 million was used for investment activities (previous year: EUR 42.6 million) and EUR 62.7 million for financing activities (previous year: EUR 71.9 million). As in the previous year, EUR 31.9 million of this amount was used for dividend payout.

At the end of 2023, the Sto Group had financial resources in the amount of EUR 122.3 million (previous year: EUR 119.4 million). Compared to the same day of the previous year, liquidity increased by EUR 2.9 million.

Chart: Sto Group investments and depreciation/amortisation

Group-wide investments in Property, plant, and equipment and Intangible assets remained almost unchanged at EUR 46.6 million (previous year: EUR 47.4 million). Depreciation/amortisation of Property, plant, and equipment and Intangible assets also remained virtually stable at EUR 41.7 million (previous year: EUR 42.0 million).

Chart: Selected individual investments - Verotec GmbH

Among other things, we have invested in a new machining centre for the production of decorative profiles at our subsidiary Verotec GmbH in Lauingen/Germany. These plastic elements can be applied to all Sto facade systems and lend a special architectural effect to new buildings as well as buildings in need of renovation or buildings of historical value.

Chart: Selected individual investments – Liaver GmbH & Co. KG

Another major individual investment was the second rotary kiln, which we installed at Liaver GmbH & Co. KG in Ilmenau, Thuringia/Germany, and put into operation in 2023. This enables us to produce an increased volume of granulate from recycled glass, which is used in various Sto products. The total investment for this measure for the period of 2021 to 2023 amounted to around EUR 18 million.

As every year, we also invested in the modernisation and replacement of production and control systems as part of our ongoing retrofit programme. It comprises a bundle of long-term measures at various Sto production sites and helps to ensure that we remain at the cutting edge of technology.

Chart: Sto Group balance sheet

Let's take a brief look at the consolidated balance sheet. It shows that Sto has a strong financial basis: the equity ratio continued to improve in 2023 and stood at 62.6 % (previous year: 62.4 %). By contrast, as mentioned above, we reduced inventories after they had been significantly increased in the 2022 financial year due to the difficult procurement market situation in order to ensure Sto's ability to deliver. They are part of the current assets recognised here.

Chart: Sto Group employees

The number of employees working for the Sto Group worldwide totalled 5,783 at the end of 2023 (previous year: 5,735). Compared to the same day of the previous year, the number of employees increased by 48. 3,171 people were working for Sto in Germany (previous year: 3,130) and 2,612 outside of Germany (previous year: 2,605).

Chart: Sto share – Share price trend

A brief look at the performance of the Sto share, which declined overall over the course of 2023. After the share price rose in line with the overall market in the first four months and reached its high for the year of EUR 190.60 at the beginning of May, it subsequently fell to EUR 118.20. In the last two months of 2023, the preference share stabilised again somewhat and ended the year at EUR 139.80 in the electronic system XETRA of the Frankfurt Stock Exchange. Compared to the closing price in 2022, this corresponds to a decline of 7 %.

In the first months of 2024, the share price has risen overall so far: at the beginning of June, the share reached its highest level since the beginning of the year of almost EUR 174, which corresponds to an increase of around 24 % compared to the closing price of 2023.

Chart: Strategy – Overview of the strategy's target dimensions

Ladies and gentlemen, we can only change our environment to a very limited extent. Market conditions, political and geopolitical developments, the weather – we have to accept and deal with many external factors. However, we can control our own actions – and we do. We remain flexible, prepare for possible scenarios and proactively incorporate general conditions into our decisions. This way of thinking and acting is the basis of our strategy, which we have clearly defined and consistently implement.

Our financial goal takes centre stage. That goal is to achieve sustainable, profitable and capital-efficient growth. To achieve this, we are focussing on three dimensions:

- On the continuous improvement of our customer focus across all areas of expertise and processes,
- on the performance potential available within the company, which we consistently utilise and drive forward, and
- to the commitment of our employees. We want to continuously develop and promote the valuable potential they represent.

These are the overarching goals that we have set ourselves in order to provide orientation and systematically develop in the direction we have defined. The goals are ultimately realised through a series of individual initiatives.

Chart: Strategy – Medium-term goals and profit initiatives

This includes growth initiatives, measures to improve profit and activities to expand our core competences. Let me describe a few concrete projects so that the somewhat abstract terms can be given a face.

One area that is very important to us is the development of sustainability as a core competence. This goal has an important strategic dimension for us, affects all areas of influence in our company and is implemented at all stages of the value chain.

Chart: Strategy implementation example – Some successful examples of the sustainability strategy

Sto's sustainability strategy is organised into six key topics: climate protection, environmental protection, circular economy, health and well-being, transparency and social responsibility, and employees. A few examples:

Climate protection is essentially about minimising the negative impact of our business activities on the climate. Among other things, we are increasingly focusing on energy generation through photovoltaics and have realised investments totalling EUR 1.5 million for the construction of additional PV systems in 2023. With electricity from solar energy, we not only contribute to climate protection, but also increase our profitability in view of the high energy prices. Overall, the proportion of green electricity within the Sto Group currently stands at 53 %. The Taxonomy-aligned share of turnover in 2023 amounted to 48.4 % across the Group. This means that almost half of our consolidated turnover can be categorised as environmentally sustainable under the EU Taxonomy Regulation. In the area of environmental protection, I would like to mention our sustainable AimS product family, which I will present to you in more detail in a moment. In this system, we replace crude oil with pine oil as far as possible. We also support numerous projects around the world, such as 'Blühpatenschaften' (sponsorships of flower meadows) and green facades.

Our circular economy concept focuses on conserving natural resources, avoiding waste, and recycling what remains in an environmentally friendly way. In 2023, dismantled external wall insulation systems were utilised in a cement plant in collaboration with the Münster University of Applied Sciences in Germany. The treatment of residual materials and waste water was also optimised.

Chart: Strategy implementation example – Some successful examples of the sustainability strategy

More and more building owners, architects and tradespeople are opting for interior products that are free from solvents, plasticisers, biocides and preservatives. In line with our mission 'Building with conscience.', we have been working for over 30 years on the development of low-emission products that increase well-being and protect health. Voluntary emissions tests in accordance with international standards are carried out for around 72 % of our interior range.

In 2023, we expanded the company offerings for our employees in the areas of nutrition, sports, and health protection. A safe and healthy working environment not only keeps our employees motivated, but also has a positive effect on productivity. It also improves our attractiveness as an employer – a factor that is not insignificant in times of a shortage of skilled workers.

We not only want to continuously improve our own sustainability performance, but also that of our supply chain. We expect our suppliers to recognise our Code, which stipulates certain minimum obligations. These include, for example, the prohibition of child and forced labour, compliance with legal requirements, a ban on discrimination and a commitment to health, safety and environmental protection. Around 2,700 of our suppliers are listed in our risk assessment system, which monitors compliance with these rules.

Our Sustainability Data Sheets, which we produce for around 400 Sto products, make a major contribution to improving transparency. They contain a range of data that goes beyond pure product information – for example on ingredients, emissions and ecological and social aspects.

In 2023, our employees set a strong example for sustainability and environmental awareness by collecting more than one metric tonne of waste on World Cleanup Day. The campaign was carried out at 18 different Sto locations in ten countries, with a total of around 280 employees taking part, including some family members.

Mutual trust and respect, the basis of our corporate culture, is also reflected in the high level of consistency in our workforce: the average length of service of employees working for the Sto Group worldwide is 11.1 years and the fluctuation rate is just 3.2 %.

Chart: Strategy implementation example – StoTherm AimS

Let's move on to a specific example from product development – our most sustainable system StoTherm AimS. Last year, I already introduced you to this product family, which we have been offering since 2021. For the AimS coatings, i.e. base coat, finishing render and facade paint, we have succeeded in replacing around a third of the binder in each case with a renewable raw material based on pine oil. This means we use less crude oil in the production, conserve resources throughout and minimise our carbon footprint.

In the meantime, we have further expanded the system and added to it in the direction of sustainability: after ten years of research and development work, in April 2024 we were able to present the mineral bonding and reinforcing mortar StoLevell Neo AimS, which completely dispenses with the usual use of cement. Thanks to the patented technology, around 50 % less CO2 is emitted during production than with comparable mortars. In addition, the mineral character of the coating allows the integration of a sustainable wood fibre insulation board. This makes StoTherm AimS not only the most sustainable, but also the most flexible external wall insulation system from Sto: it can be combined with organic or mineral coatings and optionally with insulation made of soft wood fibres, mineral wool or EPS.

If the system is also used together with the newly developed insulation fastener StoFix Circonic, which you can see here, the external wall insulation system is not only extremely environmentally friendly during production, but also during dismantling. With StoFix Circonic, installation is completely adhesive-free and the system can be separated according to type during dismantling. We received the Architects' Darling Award in Gold for this innovation in 2023.

Chart: Strategy implementation – example of core business EWIS as a key contribution to sustainability

We would like to show you a short film on the sustainable dismantling of external wall insulation systems, which is also an important topic.

Film

Chart: Strategy implementation – example of core business EWIS as a key contribution to sustainability

Let's stay in the area of facade systems, which make a significant contribution to reducing energy and resource consumption as well as emissions in the construction sector. The house stays warm for longer, heating costs are reduced and so are CO_2 emissions. You can see here on the right that the heat loss of a house can be reduced by around 25 % through the facade alone. For large buildings, the figure is as high as 40 %. You can achieve an even greater effect if you consider the structure as a whole and combine different energy efficiency measures.

Up to 25 kg of carbon dioxide per square metre can be avoided each year through facade insulation alone. The CO_2 emitted during the production of the insulation material is amortised after just one year thanks to the heating savings achieved in this way – regardless of which material you choose.

Chart: Strategy implementation, example – Insulant portfolio

At Sto, customers can choose between six different insulation materials: mineral foam, soft wood fibre, mineral wool, rigid polystyrene foam – also known as EPS – rigid phenolic resin foam and rigid polyurethane foam. With this portfolio, we cover virtually every requirement that a construction project can have and fulfil all requirements in terms of fire protection, ecology, design, efficiency and cost-effectiveness.

Chart: Strategy implementation, example – Facade systems

In addition to external wall insulation systems, our portfolio also includes ventilated rainscreen cladding systems. The two systems can be combined with each other and offer maximum flexibility in terms of surface design.

Chart: Strategy implementation example – StoVentec Photovoltaics Inlay

The ventilated rainscreen cladding system StoVentec Photovoltaics Inlay, which contains integrated photovoltaic modules, can even be used to generate energy. The system also protects against heat, weather and noise, is durable and can be dismantled and recycled. At Intersolar Europe, the world's leading trade fair for the solar industry, which starts today in Munich, StoVentec Photovoltaics Inlay will be presented to the trade public.

Chart: Strategy implementation example – Jonas back in first place in the wholesale industry

The outstanding performance of our subsidiary Jonas in a ranking of wholesalers in Germany falls within the target dimension of customer focus. It shows that we are successfully pursuing our goal of maintaining an excellent relationship with our customers.

Within the Sto Group, Jonas specialises in private labels for the retail trade. These are sold via our second distribution channel, the wholesale and specialised trade, which we have further expanded in recent years. We use this distribution channel to offer selected products that are distinct from our core business and have their own brand positioning.

The success of Sto's efforts to build up and tap into new customer groups is demonstrated by the survey conducted annually by BTH Heimtex magazine, which asks wholesalers about the quality of paint and varnish suppliers on the German market. Jonas regularly achieves top rankings here. In 2023, the company was the leader in a total of six individual criteria: product quality, future prospects, delivery reliability, speed of delivery, quality of internal services and quality of sales force. A nice proof of Jonas' good reputation in the trade.

Chart: Strategy implementation example – Sto Webshop

Since 2020, our customers from professional crafts businesses have been able to order Sto products around the clock – in the office, on the construction site or on the move. The new Sto web shop also displays individual prices, available variants and delivery dates and allows them to view stored building projects, delivery addresses and personal data. The entire ordering process is therefore simpler and clearer. This additional sales channel was launched as a pilot project in Poland in 2020, and eight Sto companies have now introduced the online shop. More will follow in the coming months.

Chart: Strategy implementation example – Sto Innovation Campus

We also want to further strengthen our second core competence, Sto's research and technology activities, and are currently planning a new research and development centre at our company premises in Stühlingen/Germany. Additional workstations are to be created here for the Research & Development division, in particular premises for laboratory work, testing facilities, application engineering and technical training. The 'Innovation Campus' is supposed to visually represent our leading role in the field of sustainable building products, which is why we invited 15 architectural agencies from six countries to take part in a competition. At the beginning of March, the first prize was awarded to Schulz und Schulz Architekten from Leipzig/Germany. Here you can see the winning design, which impressed above all with its sustainable, innovative and future-proof concept.

Chart: Strategy implementation example – S4/HANA

Process improvement in the Sto Group is also a very important topic within the scope of our strategy implementation. The introduction of the ERP system S/4 HANA from SAP plays a central role in this. As part of the implementation, all processes are to be harmonised and standardised at a global level, system and process breaks are to be avoided and the quality of the master data is to be significantly improved. The aim is to simplify the entire system landscape of the software system used in almost all subsidiaries. We are currently in the preliminary study phase and, as things stand, we will start the actual implementation in 2025.

So much for the individual strategic projects that we are currently driving forward. Overall, we are behind schedule in the implementation of our initiatives. The numerous global crises of recent years have led to delays due to short-term changes in priorities. So we still have a lot of work ahead of us.

Slide: Development of the EWIS market in Germany

This brings me to the current year 2024, which we have started with the necessary caution and spending discipline, but also with a great deal of self-confidence. Although the challenges are not getting any smaller: Here you can see the development of the German EWIS market over the last ten years, which does not reflect the opportunities that undoubtedly exist. On the contrary, the market volume fell significantly in 2023 and was at its lowest level since 2014. Sales are also likely to weaken in the current year, albeit to a lesser extent. This is in drastic contradiction to the market potential resulting from the climate targets alone.

Chart: Sto Group financial figures 01-03 2024

In the Sto Group, turnover in the first three months of 2024 fell by around 5.9 % to around EUR 340.5 million (previous year: EUR 361.8 million), with the unfavourable weather conditions and the lower number of working days in March compared to the same period of the previous year having an impact in addition to the noticeable reluctance to invest in the construction industry.

Group-wide investments increased by around 7 % and the number of employees rose slightly to 5,804 (31 March 2023: 5,771).

Due to the seasonal nature of our business, we usually report a deficit in the first quarter, which has increased in 2024 compared to the previous year. This was mainly due to lower turnover and the increase in personnel expenses as a result of collective labour agreements. Procurement prices remained largely stable in the first months of 2024, but are still at a high level.

In April, turnover exceeded the previous year's level, but remained below our expectations. In May, turnover was below plan too and was down on the previous year. This was partly due to the many public holidays, which meant that there were fewer working days in May 2024 than in the same month last year, and partly due to the unfavourable weather conditions in many European markets. In addition, the weak propensity to invest continues unabated and is preventing a revival.

It won't be until the summer that it will be possible to make a reliable statement on the extent to which the mix of high interest rates, global unrest, higher construction costs and increasing uncertainty will affect construction activity in 2024 as a whole. Support from politicians would definitely be helpful, as the protracted political debate about the legal framework and subsidy conditions is inhibiting the propensity to invest and has led to investors losing a great deal of confidence. If nobody knows how insulation or the installation of a heat pump is subsidised, the unsettled building owners simply wait and see. A sustainable, reliable funding system, on the other hand, can provide targeted impetus and incentivise investment – other countries are demonstrating this very successfully.

Chart: Outlook – The landscape of funding programmes in Europe (1/2)

In many European countries, clearly defined government programmes are making a significant contribution in some cases to stimulating construction activity and bringing new and existing buildings up to a better standard of efficiency. Corresponding state subsidy measures, which have triggered a strong surge in demand, exist in the Great Britain and Spain, for example. In Germany, by contrast, the funding situation is not on a stable footing. In the 2024 federal budget, only a compromise was reached on retaining funding for individual refurbishment measures on the building envelope, with only 20 % being supported instead of the planned 30 %. Increased depreciation for investors, in turn, is regulated in the Growth Opportunities Act.

Chart: Outlook – The landscape of funding programmes in Europe (2/2)

In Austria, Poland, the Czech Republic and Hungary, state subsidy programmes are also helping to boost construction activity and tap into the important climate protection potential in the building sector. This development shows how inhibiting special effects could be overcome.

Chart: Forecast – outlook for the year of 2024 as a whole

From today's perspective, we expect the Sto Group's turnover to increase to EUR 1.79 billion in 2024 as a whole. For EBIT and earnings before taxes (EBT), we are forecasting a range of EUR 113 million to EUR 138 million, resulting in a return on sales of 6.3 % to 7.8 %. The ROCE (return on capital employed) ratio is expected to reach a value of between 14.5 and 17.8 %.

Despite the slow start and although the general conditions are not getting any easier, we are confident about the future overall. The existing market potential and with it the opportunities for Sto are huge and we are well positioned to utilise them.

Chart: Green Deal

At EU level, the Green Deal, which had been introduced five years ago, in particular should ensure an increase in demand. At the heart of this concept is an ambitious endeavour: Europe is to be the first continent in the world to become climate neutral. To this end, the EU Commission has formulated measures and targets that also affect the buildings sector, among others.

In Germany alone, the construction sector accounts for over a third of total energy consumption and around 30 % of CO_2 emissions. If this potential is realised, it will represent a significant opportunities for growth for Sto as a specialist in energy-efficient facade insulation.

Slide: Green Deal – Possible opportunities and challenges

The European Energy Performance of Buildings Directive, which was adopted as part of the Green Deal in April 2024 after lengthy negotiations, stipulates that member states must gradually reduce the average primary energy consumption of the residential building stock. The aim is for the building stock to be climate-neutral by 2045. If we want to achieve these reduction targets, there is no way around a significant increase in refurbishment activities in the construction sector.

In addition to the opportunities, the implementation of the Green Deal also presents major challenges. For example, the EU Commission is endeavouring to comprehensively reform chemicals legislation. This can also have an impact on our products or their composition and therefore have economic and content-related consequences for us. We prepare for possible changes at an early stage and as proactively as possible, try to recognise risks for Sto in advance and develop possible alternatives.

Chart: Green Deal – Status of the EU Energy Performance of Buildings Directive

The member states have until 2026 to transpose the provisions of the Energy Performance of Buildings Directive into national law. In contrast to the original proposal, there are no mandatory minimum efficiency standards for residential buildings. These were only introduced for non-residential buildings.

55 % of the reduction in the primary energy demand of residential buildings by 2030 must come from the so-called worst performing buildings. In the non-residential sector, 16 % of these buildings must be refurbished by 2030 and 26 % by 2035.

From a technical point of view, the specified savings quotas cannot be realised simply by changing the plant technology. For example, the worst performance buildings can very often not be equipped with heat pumps without energy-efficient refurbishment. Ideally, measures on the building envelope and mains utilities should be matched. Only then can optimum results be achieved.

Slide: Building stock in Germany

As the world market leader for external wall insulation systems and thanks to our many years of experience in the field of new construction and refurbishment, Sto is an undisputed expert in energy-efficient facade insulation.

I have already outlined the immense need for new flats in Germany, which is becoming even more acute due to the low level of new construction activity. Demand is rising steadily, so housing construction should be at the top of the political agenda – also in view of the economic importance of the construction industry.

Parallel to the hesitant construction of new buildings, there is a great need to refurbish existing buildings today and in the future. Here, too, the legislator is called upon to set a reliable and clear framework for sustainable investments.

In our view, the key points are that technical requirements should not be increased any further, bureaucratic hurdles should be significantly reduced and effective investments should be promoted in a targeted manner.

At least as important is a stable and growth-promoting environment for society as a whole – an environment in which various conditions are met that have long been taken for granted in our country. Recently, however, certainties such as basic democratic values have been increasingly called into question. Sto is an international Group built on the principles of equality, diversity and inclusion. The cornerstones of our corporate culture are: responsibility, respect and connectedness. We stand for these values and take a clear stance. We support an actively practised democracy at both national and European level, a policy that promotes economic development and a society in which all people have equal opportunities and rights. We are therefore firmly opposed to all forms of extremism and discrimination.

Chart: Awards (some examples)

Ladies and gentlemen, the Sto culture that we practise every day binds our employees to the company and convinces our target groups that we are the right partner. Time and again, we receive confirmation that we deliver outstanding performance and are very well positioned to utilise opportunities and successfully meet challenges. This underpins our confidence.

At the beginning of 2024, for example, the University of Sankt Gallen/Switzerland came to the conclusion that Sto can continue to call itself the world market leader for external wall insulation systems. This is the fifth time we have received this wonderful confirmation of our excellent position.

More than 1,900 architects and specialist planners vote for the Architects'

Darling Award – a very important target group for Sto. They vote for the best providers in various categories. In 2023, Sto ranked in the top in three areas: As already mentioned, the insulation system StoTherm AimS with the special anchor StoFix Circonic' was honoured as the most convincing product innovation in the field of finishing construction. We also won gold in the 'Architectural Consultation' category and bronze in the 'Paints and Lacquers' category.

Sto's quality as an employer was also recognised last year. In Austria, our subsidiary achieved eighth place in the group, which comprises companies with 250 to 499 employees. Sto is thus officially one of the 'Best Workplaces Austria 2023'.

In Italy, we were recognised as a climate-effective company. The prize is awarded by the newspaper Corriere della Sera and the online platform Statista to companies that have reduced their CO_2 emissions the most. The analysis is based on data from CSR or sustainability reports.

Final slide

Ladies and gentlemen, it is not only these awards that show that Sto is able to act well and successfully. We have a clear strategic direction with concrete initiatives, have an exceptional workforce, have solutions for the challenges of the market and will do everything in our power to continue the successful corporate development in 2024 and beyond.

We are also continuing to develop the Executive Board team. The generational change in our Board began with the arrival of Désirée Konrad on 1 September 2023 and will continue on 1 September 2024 with the arrival of Jost Bendel as the successor to our colleague Jan Nissen, who will be leaving at the end of 2024.

Important issues lie ahead of us. I mentioned many of them in my presentation. Others, such as the review of our Strategy 2025, are on our agenda.

I thank you for your attention and your trust.