



Bewusst bauen.

Sto SE & Co. KGaA, Stühlingen/Germany

Consolidated interim report

For the period from 1 January to 30 September 2024



Overview of the Group	01 Jan 2024 - 30 Sep 2024	01 Jan 2023 - 30 Sep 2023	Change in %
Turnover	1,237.4	1,325.5	-6.6
Germany	507.2	561.8	-9.7
Outside of Germany	730.2	763.7	-4.4
Turnover by segment			
Western Europe	955.0	1,039.0	-8.1
Northern/Eastern Europe	123.5	129.4	-4.6
America/Asia/Pacific	158.9	157.1	+1.1
Investments (excluding financial assets and IFRS 16)	23.0	25.7	-10.5
(figures in EUR million)			
Employees (at end of quarter)	5,787	5,903	-2.0
Germany	3,156	3,195	-1.2
Outside of Germany	2,631	2,708	-2.8

At a glance:

- **Turnover of the Sto Group down by 6.6 % to EUR 1,237.4 million in the first nine months of 2024**
- **Difficult general conditions continue to impact business development worldwide in the third quarter**
- **Decline in turnover over the entire reporting period of 9.7 % in Germany and of 4.4 % outside of Germany**
- **Consolidated earnings well below previous year's level**
- **Number of employees decreases by 116 to 5,787 compared to the same day of the previous year**
- **Forecast for 2024 as a whole adjusted downwards: consolidated turnover expected to amount to approx. EUR 1.60 billion (July 2024 forecast: EUR 1.66 billion; previous year: EUR 1.72 billion), EBIT in the range of EUR 50 million to EUR 68 million (July 2024 forecast: EUR 62 million to EUR 82 million; previous year: EUR 126.5 million) and EBT between EUR 52 million and EUR 70 million (July 2024 forecast: EUR 63 million to EUR 83 million; previous year: EUR 127.4 million)**

Sector environment

According to the International Monetary Fund (IMF), the **global economy** is growing at a stable but slow rate in 2024. In its latest World Economic Outlook (WEO) from October, the IMF confirmed its July forecast and expects economic output to increase by 3.2 % in both the current and the coming year (2023: 3.3 %). However, researchers point to numerous risks and uncertainties for global development. In addition to the Russia-Ukraine conflict and the crisis in the Middle East, new bouts of inflation and disruptions to value chains cannot be ruled out, according to the IMF. Further, newly elected governments could introduce significant changes in trade and tax policy.

Growth in the **developing and emerging countries** is expected at 4.2 % in the current year (2023: 4.4 %). The IMF revised the increase in China downwards by 0.2 percentage points and expects an increase of 4.8 % in 2024 (2023: 5.2 %) despite the continued weakness of the real estate sector and low consumer confidence. In the **industrialised nations**, the expectation was raised slightly to an overall increase of 1.8 % (2023: 1.7 %). The forecast for the United States improved by 0.2 percentage points to 2.8 % (2023: 2.9 %), while the forecast for the eurozone was revised downwards by 0.1 percentage points. Here, the IMF expects growth of 0.8 % in 2024 (2023: 0.4 %).

The weakest performance of all leading G7 industrialised nations was announced for **Germany**. The IMF revised its forecast for the current year downwards by 0.2 points and now expects stagnation (2023: -0.3 %), while the other major economies in Europe are likely to expand: France by 1.1 % (2023: 1.1 %), Italy by 0.7 % (2023: 0.7 %) and Spain by an estimated 2.9 % (2023: 2.7 %).

According to the German Federal Statistical Office (Destatis), turnover in the **German main construction sector** decreased by 1.1 % in the first eight months of 2024 compared to the same period of the previous year, adjusted for price changes, while real incoming orders decreased by 0.6 %. According to the Hauptverband der Deutschen Bauindustrie e.V. (Main Association of the German Construction Industry), the decline is still primarily attributable to residential construction: in this sector, turnover decreased by 12.3 % and incoming orders by 5.8 %. By the end of August, the number of building permits issued for domestic residential properties had fallen even more sharply, by 19.3 %.

The Verband der deutschen Lack- und Druckfarbenindustrie e.V. (Association of the German Paint and Printing Ink Industry) expects further volume losses in the **architectural coatings** sector in the current year. However, compared to 2023, the decline is expected to slow down from 4.0 % to 3.5 %. For the **EWIS market**, the market research institute B+L Marktdaten GmbH expects sales to decrease by 5.2 % following the significant decline of 15.3 % in 2023.

According to EUROCONSTRUCT, the volume of construction in **Europe** is set to decrease by 2.7 % in 2024 as a whole. The main reason for the weak phase is residential construction, which is expected to decline by 6 % (2023: -4.2 %). In addition to the construction of new buildings, the scope of renovation measures on existing housing is also likely to decrease. The factors dampening demand include the interest rate environment, loss of purchasing power, a sharp rise in construction costs, weak economic growth and limited government budgetary room for manoeuvre. Segment- or country-specific issues and negative changes in framework conditions such as cuts in state subsidies etc. also play an important role.

The **US** construction sector is on the upswing. According to the Office for National Statistics, construction output rose by 9 % in nominal terms in the first seven months

of 2024 compared to the previous year. The current outlook is also positive, which is supported by the robust economy, lively private consumption, falling key interest rates and the good situation on the employment market. Private residential construction, which accounts for almost half of construction output in the USA, is also benefiting from the reserve bank's interest rate reversal and falling prices for building materials. According to GTAI (Germany Trade & Invest), the value of new residential construction projects could increase by 11 % in 2024.

The general economic conditions in **China** remain very tense. In particular, the ongoing crisis on the important real estate market is paralysing the world's second-largest economy, although the government has initiated numerous measures to counteract this. As in the previous month, prices for owner-occupied homes decreased by 0.71 % in September, while the value of second-hand properties decreased by 0.95 % in August and by 0.93 % in September. This indicates that the government's efforts are not sufficient to stabilise the real estate sector.

Business development of the Sto Group

The Sto Group's business development in the third quarter of 2024 was influenced by increasingly difficult general conditions. The main burdening factor was the continued weakness of the construction industry. Both in Germany, by far Sto's largest market, where sentiment had deteriorated considerably by the end of September, and in many of the Group's other important core markets, this led to a decline in market volume in key product segments and a sharp rise in competition. The many causes include the rise in construction costs, poorer financing conditions and, in particular, the considerable hesitancy among investors as a result of the uncertain legal framework and subsidy conditions. This was compounded by enormous uncertainty as a result of geopolitical conflicts and unfavourable weather conditions, which hampered the application of Sto products used outdoors in several regions in the first nine months of the year.

Decline in consolidated turnover

Sto SE & Co. KGaA's **consolidated turnover** totalled EUR 1,237.4 million in the first nine months (previous year: EUR 1,325.5 million). Compared to the same period of the previous year, this corresponds to a decrease in volume of 6.6 %. In the third quarter as a whole and in August in particular, turnover fell well short of expectations, partly because many trade enterprises in Germany extended their company holidays in August due to reduced demand. Currency translation had a net negative effect of EUR 3.2 million in the Sto Group in the first three quarters. The Turkish lira and the Chilean currency depreciated particularly sharply, while the Polish zloty and the Swiss franc, among others, gained in value. In contrast, there was a positive effect of EUR 2.5 million from the first-time consolidation of the New Zealand company Stoanz Ltd, which was acquired on 1 April 2024. Adjusted for all currency and first-time consolidation effects, the decline in turnover was also 6.6 %.

In **October**, Group turnover was below the previous year's figure and below expectations.

Turnover trend across the segments

The turnover volume in the **Western Europe** segment – including Germany – decreased by a total of 8.1 % to EUR 955.0 million between January and the end of September 2024 (previous year: EUR 1,039.0 million). In addition to the restrained demand in the largest market, Germany, the weak development also resulted from changes to state subsidy programmes. In Italy, the 'Superbonus 110' subsidy programme, which had led to strong growth in the facade business in recent years, has almost come to a standstill. In France, too, where subsidies for energy-efficient building refurbishment were reduced from EUR 5 billion to EUR 3 billion, and in most other Western European Sto companies, the turnover volume was in some cases significantly lower than in the previous year.

In the **Northern/Eastern Europe** segment, the weak economy was the main factor affecting business development. Construction activity declined significantly in the Scandinavian markets in particular, especially in Sweden. Compared to the same period of the previous year, segment turnover decreased by 4.6 % to EUR 123.5 million in the first nine months of 2024 (previous year: EUR 129.4 million). In some regions, particularly Türkiye, the turnover of the national companies was also impacted by negative currency translation effects.

In the comparison of the nine-month figures, the business volume in the **Americas/Asia/Pacific** segment increased by 1.1 % to EUR 158.9 million (previous year: EUR 157.1 million), with the individual regions developing in opposite directions: business activity in the USA, where the construction industry benefited from government economic measures among other things, was positive, while other American companies suffered declines in some cases. In the Pacific region, growth was achieved through the first-time consolidation of the New Zealand company. In contrast, the business volume of the national companies in China remained significantly below the previous year. The burdens resulting from the difficult market environment intensified here and demand continued to fail to stabilise.

At Group level, Sto's **turnover generated outside of Germany** decreased by 4.4 % to EUR 730.2 million in the first three quarters of 2024 (previous year: EUR 763.7 million); less currency translation effects, the decline was 4.0 %. In **Germany**, the turnover volume decreased by 9.7 % to EUR 507.2 million (previous year: EUR 561.8 million). The share of turnover generated outside of Germany in the Sto Group increased from 57.6 % to 59.0 %.

Significant decline in earnings

In the third quarter, and therefore also in the first nine months of the financial year, the consolidated earnings of Sto SE & Co. KGaA was significantly below the previous year's value and below expectations. The reduced market volume led to a sharp increase in competition, which, coupled with a continued high price level in procurement and the lower turnover volume in the Group, had a noticeable impact on gross profit. In addition, Group companies with a high proportion of remanence costs and subsidiaries that experienced an unexpectedly rapid deterioration in general conditions in particular recorded a serious drop in earnings. In order to counteract the resulting drastic pressure on earnings, a comprehensive cost-reducing programme was launched throughout the Group.

Volume of investments slightly below the previous year

In the first three quarters of the current year, the Sto Group invested EUR 23.0 million (previous year: EUR 25.7 million) in **Property, plant and equipment, and Intangible assets**. The focal points included a new wet-production facility in Mexico and

additional production capacity at the subsidiary in Australia. In addition, investments were made in the 'Retrofit' programme, under which the Group's production facilities are continuously modernised and renewed.

Very sound assets and liabilities situation and financial situation

As at the end of September, the assets and liabilities situation and financial situation of the Sto Group continued to be extremely sound. The majority of the changes as compared to the end of 2023 resulted from the seasonal nature of the business. The equity ratio at the end of September was 61.6 % (30 September 2023: 61.5 %; 31 December 2023: 62.6 %).

Decrease in workforce numbers

On 30 September 2024, the Sto Group employed 5,787 people worldwide (31 December 2023: 5,783; 30 September 2023: 5,903). Compared to the end of 2023, this corresponds to an increase of four employees; compared to the same day of the previous year, the workforce was reduced by 116 employees. Year-on-year, the number of employees was reduced by 39 to 3,156 in Germany (30 September 2023: 3,195) and by 77 to 2,631 outside of Germany (30 September 2023: 2,708). The downsizing in several regions was contrasted by individual new hires in national companies with short and medium-term growth prospects. Stoanz Ltd in New Zealand, which was consolidated for the first time, employed 24 people as at the reference date. Across the Group, the percentage of employees working outside of Germany was 45.5 % (30 September 2023: 45.9 %).

Risks and opportunities report

The business development of the Sto Group in 2024 has faced numerous opportunities and risks, which are presented in detail in the 2023 Management Report. The organisation of the risk management and internal control system is also explained there.

The greatest uncertainties at present include the consequences of geopolitical conflicts, which cannot be reliably estimated, and the considerable risks associated with sales and weather conditions. Furthermore, it is not possible to foresee future political developments, changes in general conditions or the course of the upcoming change of government in Germany and the resulting consequences for Sto. At present, no assessable risks are apparent that could have a permanent and significant adverse effect on the income, financial situation and assets and liabilities situation of the Sto Group.

In principle, there are considerable opportunities for Sto, particularly in the core business of facade systems, as the politically enshrined climate action targets can only be achieved through a significant improvement in energy efficiency in the construction sector. Sto products help to reduce CO₂-emissions and energy costs, resulting in great potential for sales worldwide. However, due to the difficult market situation in several important core markets, which is likely to continue, and in particular the increasing hesitancy among investors in Germany resulting from uncertain general conditions, it is currently not possible to utilise this potential in either the new construction or renovation sectors.

Outlook for 2024 as a whole

Based on current information, the Sto Group's declining turnover and earnings trend compared to the previous year will continue in the fourth quarter. For this reason, despite the extensive Group-wide cost-reducing programme, no catch-up effects can be expected in the further course of business in 2024, which also depends to a large extent on weather conditions. As a result, expectations for 2024 as a whole are significantly weaker than previously assumed. The negative change in general conditions and the difficult economic and market situation at the Group companies Ströher Group in Germany, Sto Ltd. in the UK, and SkyRise Prefab Building Solutions Inc. in Canada harbour the risk of further negative effects on earnings from a Group perspective. In Italy and France, the declines are expected to continue in the fourth quarter as a result of the limited subsidies for energy-related measures, and the property sector in China is not expected to stabilise in the short term.

Against this backdrop, the forecast for 2024 was adjusted downwards after weighing up different scenarios and possible measures. From today's perspective, Sto expects **consolidated turnover** in the amount of approx. EUR 1.60 billion (July 2024 forecast: EUR 1.66 billion; original forecast: EUR 1.79 billion; 2023: EUR 1.72 billion). **EBIT** is expected to be in the range of between EUR 50 million and EUR 68 million (July 2024 forecast: EUR 62 million to EUR 82 million; original forecast: EUR 113 million to EUR 138 million; 2023: EUR 126.5 million) and earnings before taxes (**EBT**) between EUR 52 million and EUR 70 million (July 2024 forecast: EUR 63 million to EUR 83 million; original forecast: EUR 113 million to EUR 138 million; 2023: EUR 127.4 million). The **return on sales** in relation to EBT should therefore reach between 3.2 % and 4.4 % (July 2024 forecast: 3.8 % to 5.0 %; original forecast: 6.3 % to 7.8 %; 2023: 7.4 %). A value of between 6.6 % and 9.1 % is forecast for the **ROCE** figure (July 2024 forecast: between 8.1 % and 10.9 %; original forecast: between 14.5 % and 17.8 %; 2023: 17.1 %).

Stühlingen/Germany, November 2024

Sto SE & Co. KGaA
represented by STO Management SE
Executive Board