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Quarterly update – Q1 2020

Continued growth and increased profitability despite COVID-19

Key highlights

- ✓ Continued sales growth
- ✓ Operating profit up 36 per cent
- ✓ Weaker sales outlook and considerable uncertainty going forward

Operating income

Operating income continued to grow in Q1, increasing 11 per cent compared to the same quarter last year. Adjusted for positive currency translation effects, resulting from a weaker Norwegian Krone, underlying sales growth in the first quarter was 4 per cent.

The increase in operating income is mainly attributable to good growth in Marine Coatings, driven by high activity in the maintenance and repair market for vessels. Sales growth in Decorative Paints, Protective Coatings and Powder Coatings is moderate.

Top line growth in all segments is negatively affected by the Coronavirus outbreak and the corresponding containment measures imposed where Jotun operates. This causes reduced economic activity, but the impact varies greatly from country to country. Comprehensive restrictions have also led to temporary suspension of production facilities in parts of Q1, with subsequent postponed deliveries from these facilities.

Jotun's production has so far not been impeded by disruptions to the supply chain of raw materials or other production factors.

Operating profit

Operating profit improved further in Q1 and is up 36 per cent year to date compared to the same period last year. Operating profit margin year to date is 15.6 %, compared to 12.7 % last year. In addition to increased sales, the improvement in operating profit is mainly explained by improved gross margins due to previously implemented price increases and slightly lower raw material costs.

Outlook

Jotun expects lower sales in the short term due to the ongoing pandemic. Comprehensive containment measures and weaker outlook is expected to hamper the economic activity in the markets where Jotun operates.

There is however considerable uncertainty related to the duration and scope of the pandemic and the containment measures, and how these will affect the economic conditions in each country.

Financial key figures (NOK million)	Jan-Mar 2020	Jan-Mar 2019	Change
Operating income	5,082	4,563	11,4%
Operating profit	792	580	36,5%

For further information:

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