

PRESS RELEASE

Genan Holding A/S
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Annual Report 2021: Record-high Genan group turnover in a challenging year

Last year, Danish-owned but international environmental company Genan reached an all-time high turnover of EUR 60m. The past year has been characterized by increasing material, freight and energy prices, which – in Genan’s case – have both positive and negative impact. Overall, the Genan group emerges stronger after a year also distinguishing itself by a change of ownership – with Maj Invest Equity as new majority shareholder.

2021 turned out to be a challenging year for companies, the success of which depends on the price development of energy and raw materials such as steel – and for which increasing freight rates are a game changer. In this respect, Genan – the largest, mechanical tire recycler in the world – is no exception; but thanks to the dedicated endeavors of its employees, Genan has emerged stronger from both the Corona crisis and a volatile world market.

From its six recycling plants in Denmark, Germany, Portugal and the USA, the capacity of which can spare the environment up to 280,000 MT of CO₂ emission a year, the Genan group sold for EUR 60m – compared to EUR 48.7m the previous year. This is the highest turnover ever, corresponding to a 23.4% increase in just 12 months:

- We had a very positive top line development in 2021, and there are mainly two reasons for this. The most important factor is the significant increase of steel prices, which more than doubled during 2021. The other factor is a 5% increase in sales of our main product: rubber granulate, Group CEO Poul Steen Rasmussen explains.

While the increasing steel prices thus have a positive impact for Genan, the soaring energy prices and freight rates have the opposite effect. This is the main reason why EBITDA is almost the same as in 2020 – despite the most positive top line development.

The Genan factories are relatively energy intensive – although numerous energy-saving measures have been implemented in recent years. The increasing energy prices thus have direct impact on earnings. At the same time, Genan is negatively impacted by the historically high sea freight rates and overland transportation costs.

- For many, 2021 became a year out of the ordinary; and barely had the Corona crisis let go, before new challenges arose. Bearing all this in mind, we are overall very satisfied with key figures for 2021. Not least owing to the solid work effort of all our employees, Poul Steen Rasmussen continues.

In 2021, group earnings before taxes reached almost EUR 5.5m, which is up by nearly EUR 1.5m compared to 2020, where exchange rate adjustments impacted results negatively. In 2021,

Genan showed almost EUR 3.5m bottom line – in comparison with nearly EUR 8.5m in 2020, when a considerable tax asset was activated.

Maj Invest Equity new majority shareholder

In October 2021, majority shareholder since 2014, PKA, made an agreement with Maj Invest Equity for the latter to acquire 51% of shares in Genan. Maj Invest Equity, one of the largest private equity investors in Denmark, continues as majority shareholder, while PKA proceeds as minority shareholder.

Back then, partner at Maj Invest Equity, Mads Andersen, stated the following about the acquisition:

- Genan helps solve a major problem for society – and has the potential to grow considerably in the next few years. As majority shareholder, we would like to support and accelerate this development. We expect international focus on sustainability to create a growing need for Genan's products and services for the next many years.

And an increasing focus on sustainability in many parts of the world is indeed a positive indicator for the prospects of Genan. The number of tires daily scrapped worldwide has now reached 7 million. This corresponds to more than 30 million MT of tires each year, and regrettably, the majority of these tires are still incinerated or deposited at landfill sites – to the detriment of the environment.

Through its operations, Genan can process more than 400,000 MT of tires each year – and turn these tires into usable materials. For each metric ton of tires processed by Genan, at least 700 kg of CO₂ is saved – totaling up to 280,000 MT of CO₂ annually. For both Genan and others in the tire recycling industry, the ambition is to increase this figure significantly in coming years.

In the short run, however, the development is characterized by considerable uncertainty. Record-high energy prices and freight rates continue into 2022 and will impact earnings negatively. On the other hand, Genan also expects steel prices and other material prices to remain high.

- In cooperation with our new owners, we follow a long-term strategy to improve both top line and bottom line. At the same time, we will in 2022 continue to focus on reducing our environmental footprint – i.a. by proceeding with our energy optimization projects in the production. Despite current crises, focus on sustainability keeps growing, and this agenda is a daily support to our endeavors for tires to be reused as a valuable resource, Poul Steen Rasmussen concludes.

About Genan Holding A/S

Genan Holding A/S is the parent company of environmental company Genan, the largest and technologically highly advanced tire recycler in the world. Sustainability is the core value of the Genan group; and by utilizing the resources of vast amounts of end-of-life tires, Genan helps solve a wide-ranging, global problem. Genan operates six recycling plants in four different countries. The annual production capacity of the company totals more than 400,000 MT of tires; and with continuous optimization of production and technology, Genan is constantly striving to run all plants, so they are as environmentally friendly and energy-saving as possible.

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