

RESULTS 2019 AND MID-TERM TARGETS

komax

17 March 2020

2019 in brief

Phase of weakness for automotive industry

- Order intake, revenues, and EBIT all down sharply

Investment in R&D maintained at a high level

- 9.9% of revenues directed toward expansion of technological and market leadership
- Additional unique selling propositions thanks to the launch of numerous new products

Enhanced global customer proximity

- Acquisition of Artos Engineering and Exmore and founding of Komax Thailand

Move to new production and development facilities

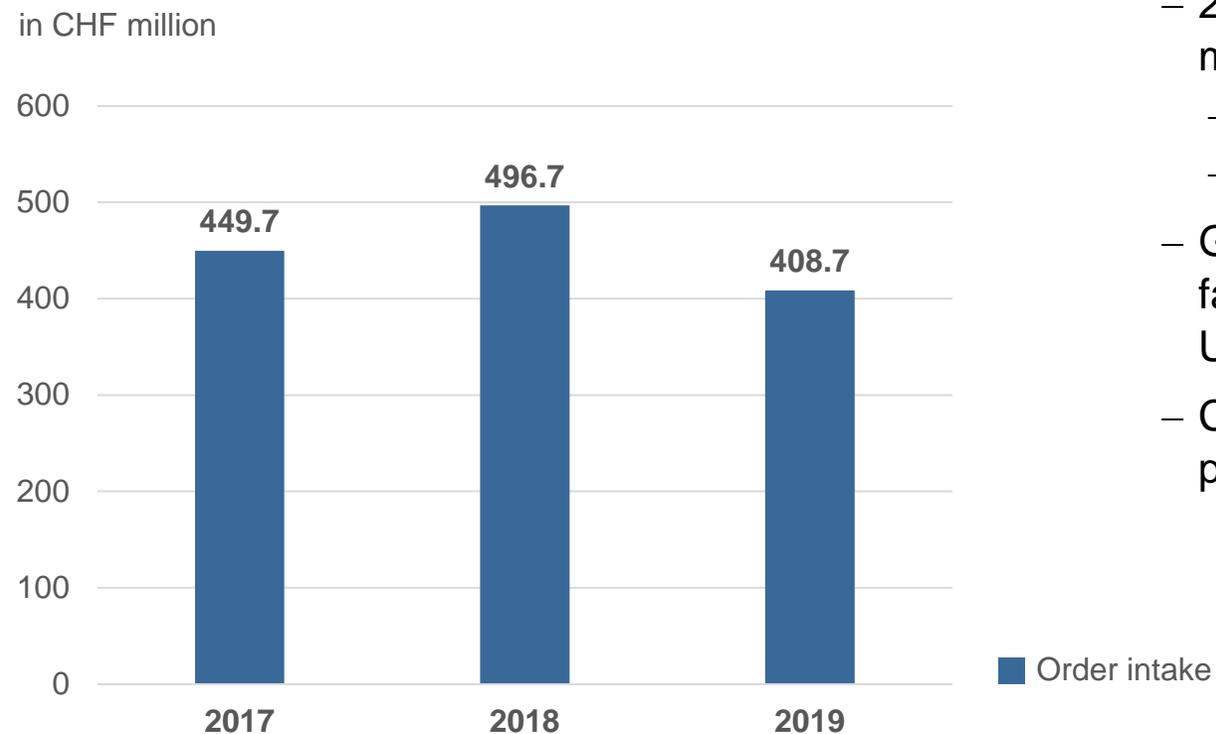
- Germany: Kabatec in Burghaun and Komax SLE in Grafenau
- Hungary: Komax Thonauer, e-mobility competence center in Budakeszi
- Switzerland: New building at Komax headquarters in Dierikon soon to be completed

Challenges in project business

- High additional expenses for individual customer-specific pioneer projects

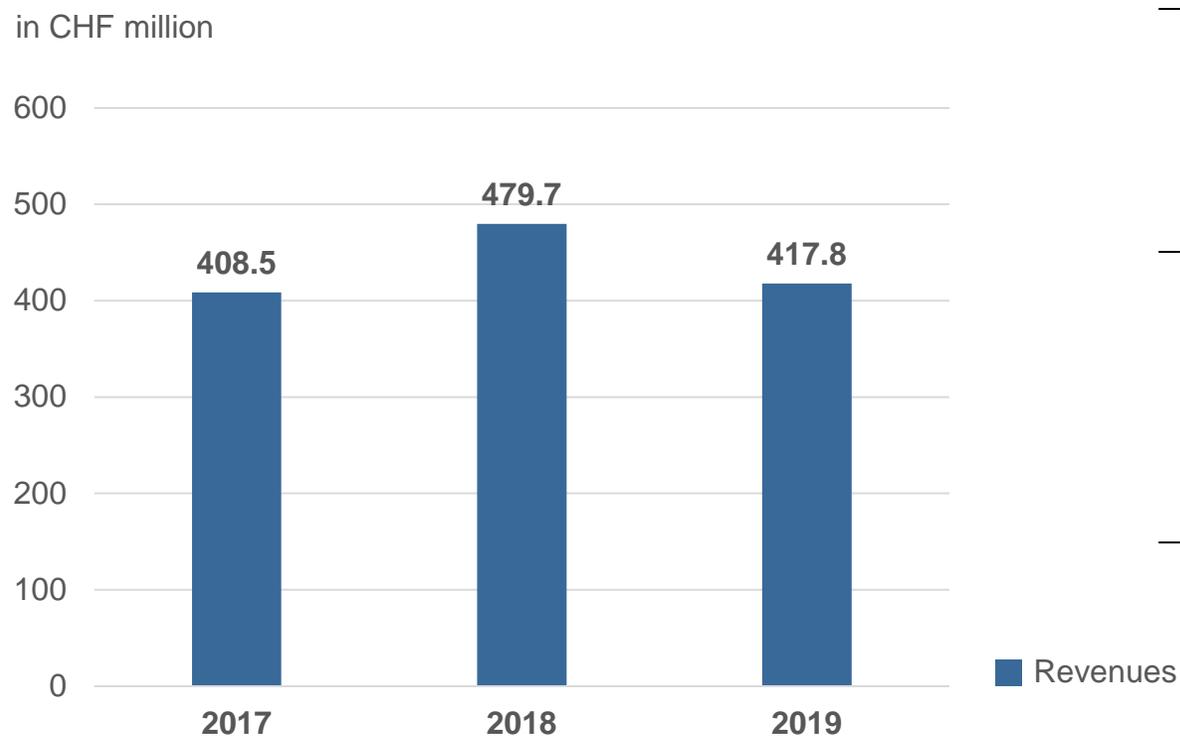
Sharp decrease in orders

Phase of weakness for automotive industry



- Order intake down by 17.7%
- 2nd half slightly weaker than the first six months
 - H1 2019: CHF 206.7 million
 - H2 2019: CHF 202.0 million
- General uncertainty due to various geopolitical factors (including the trade conflict between the US and China)
- Customers reluctant to invest and postponing projects throughout the year

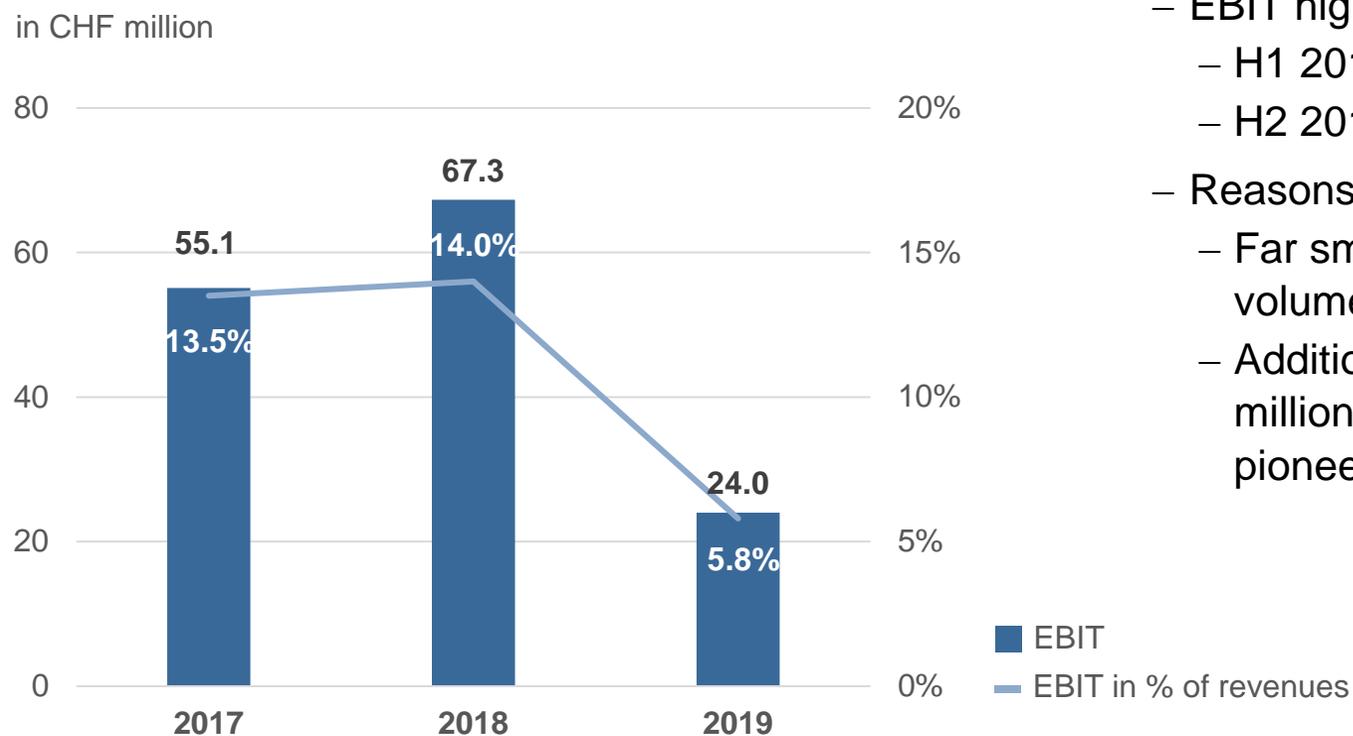
Revenues well below the record prior-year figure



- Revenues decrease by 12.9%
- Factors behind development of revenues
 - Organic decline: –13.7%
 - Acquisition-related growth: +2.7%
 - Foreign currency impact: –1.9%
- Acquisitions (Artos Engineering and Exmore) contributing to a slight increase in revenues in the 2nd half
 - H1 2019: CHF 203.3 million
 - H2 2019: CHF 214.5 million
- Book-to-bill ratio: 0.98 (2018: 1.04)

Marked fall in profitability

5.5 million fewer vehicles produced than in 2018



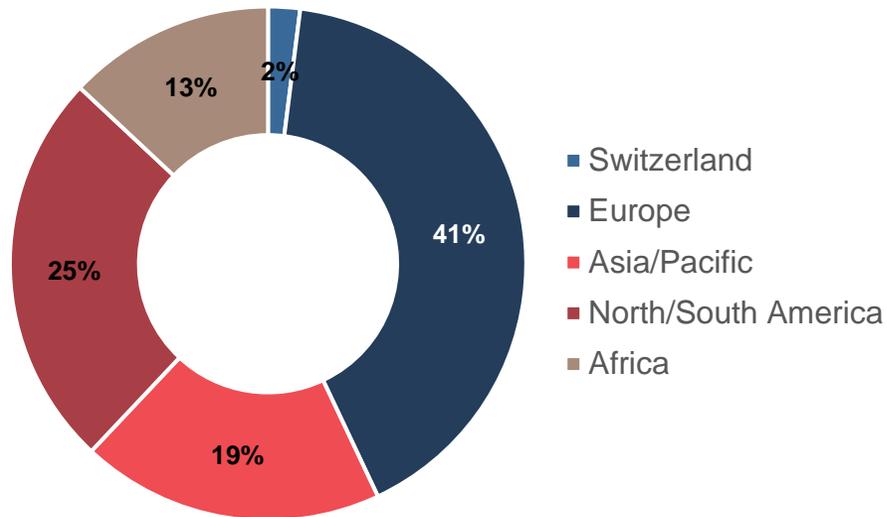
- EBIT down by 64.3%
- EBIT higher in first six months
 - H1 2019: CHF 16.4 million
 - H2 2019: CHF 7.6 million
- Reasons for disproportionate decrease in EBIT
 - Far smaller number of machines sold in volume business (crimp-to-crimp machines)
 - Additional expenses in the high single-digit millions for individual customer-specific pioneer projects

AGENDA

- 1 2019 financial year: financial performance**
- 2 Unchanged strategy – new mid-term targets
- 3 Priority areas and outlook 2020
- 4 Questions

Growth in North/South America

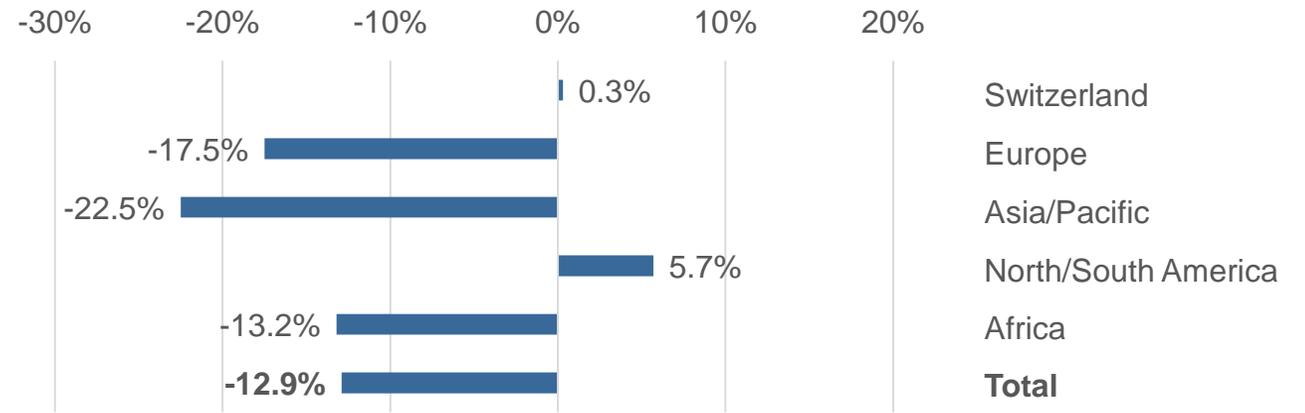
Revenues by region in 2019



Revenues by region in 2018

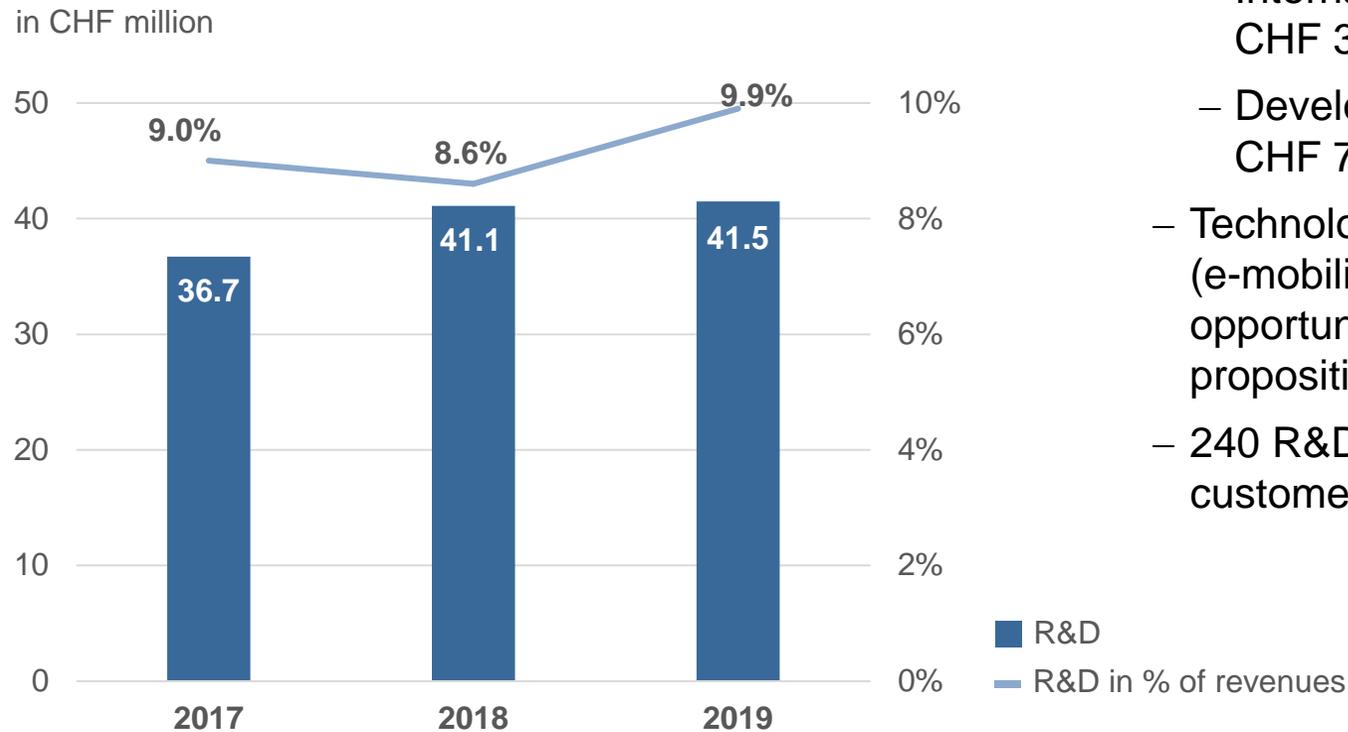
- Switzerland 2%
- Europe 43%
- Asia/Pacific 21%
- North/South America 21%
- Africa 13%

Change from previous year



- Resources situation in Eastern Europe still tight; build-up of production capacity in North Africa continuing
- One factor contributing to revenue growth in North/South America was the acquisition of Artos Engineering as of 1 April 2019

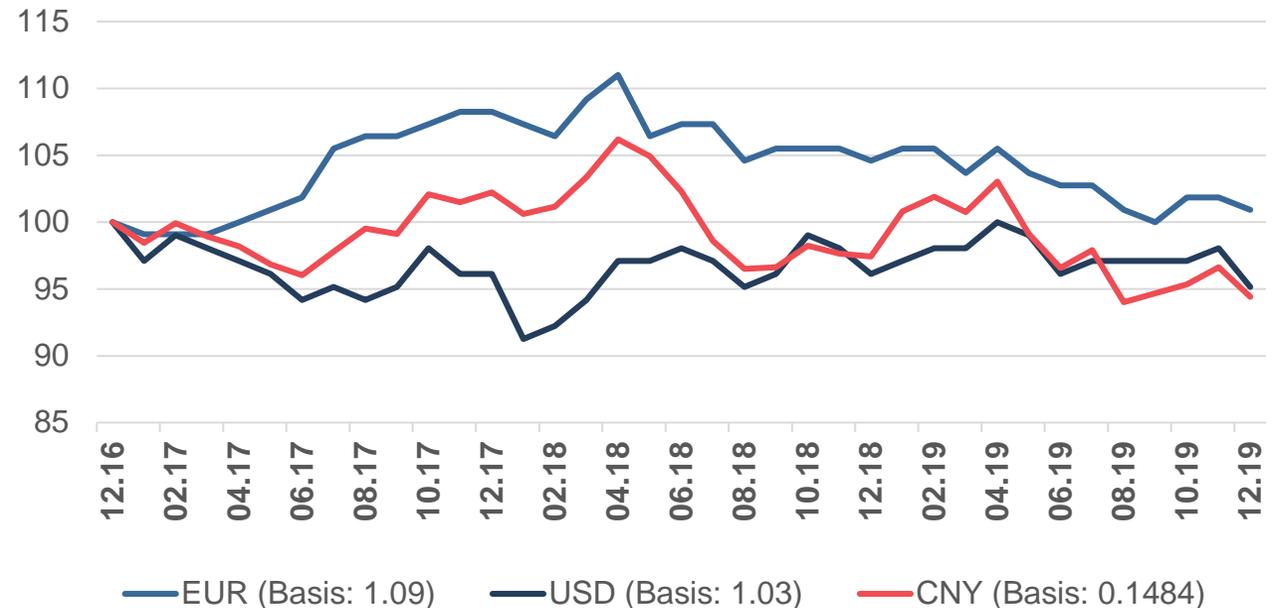
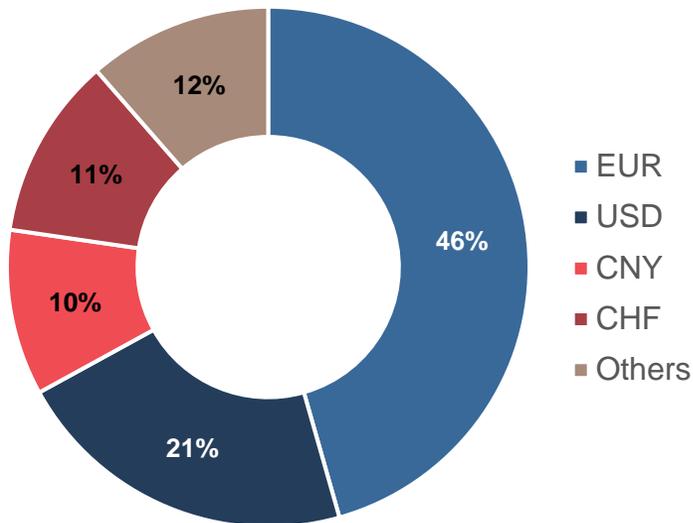
Securing the future with innovation



- R&D expenditure consist of
 - Internal development services of CHF 34.0 million (2018: CHF 32.3 million)
 - Development services of third parties of CHF 7.5 million (2018: CHF 8.8 million)
- Technological shift in automotive industry (e-mobility, autonomous driving, etc.) creating opportunities for further unique selling propositions
- 240 R&D staff; plus 200 engineering staff for customer-specific solutions

Substantial currency fluctuations

Revenues by currency



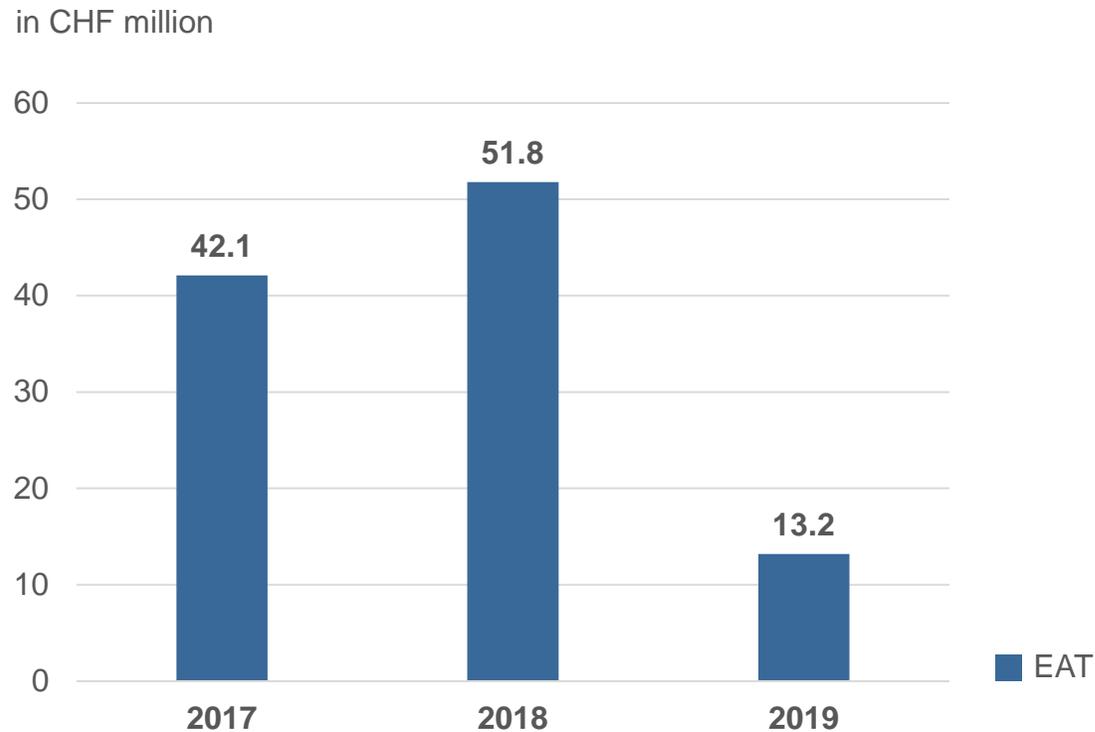
– **Foreign currency impact 2019**

revenues: –1.9 pts, gross profit margin: –1.2 pts, EBIT margin: –0.8 pts

– **Foreign currency impact 2018**

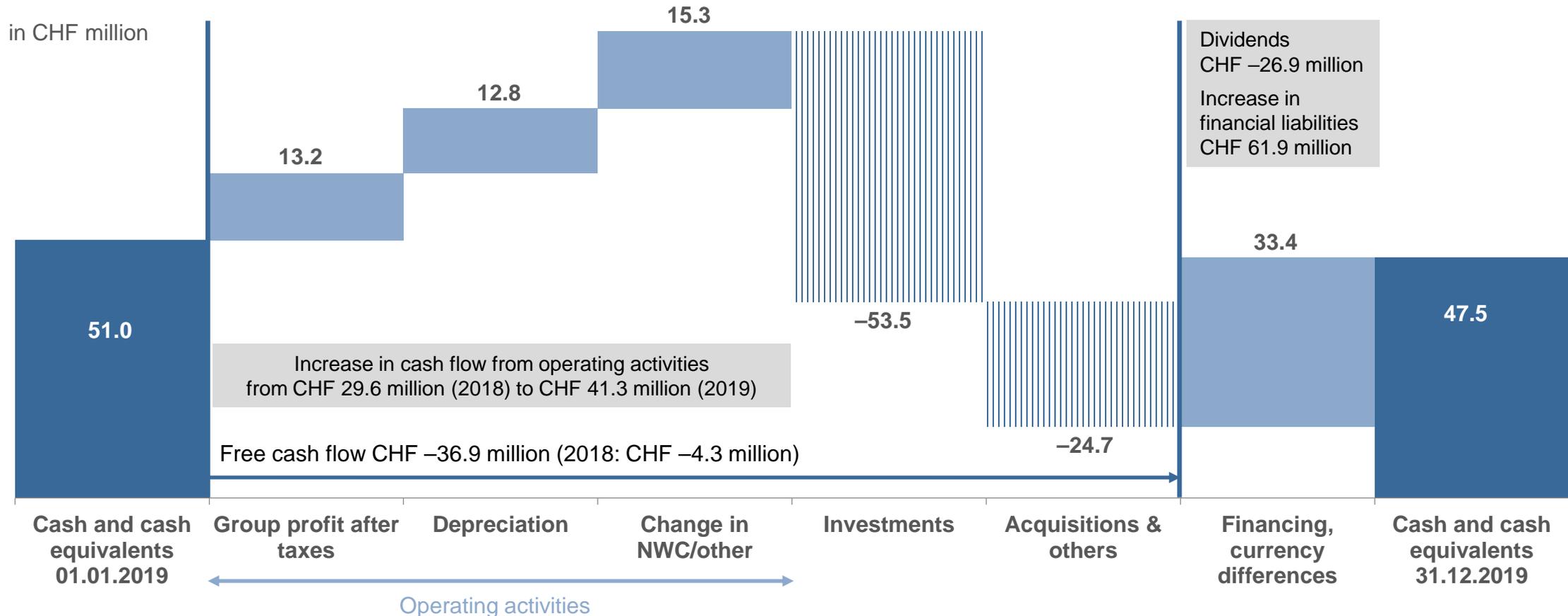
revenues: +1.8 pts, gross profit margin: +0.7 pts, EBIT margin: +0.2 pts

Group earnings after tax (EAT) fall sharply



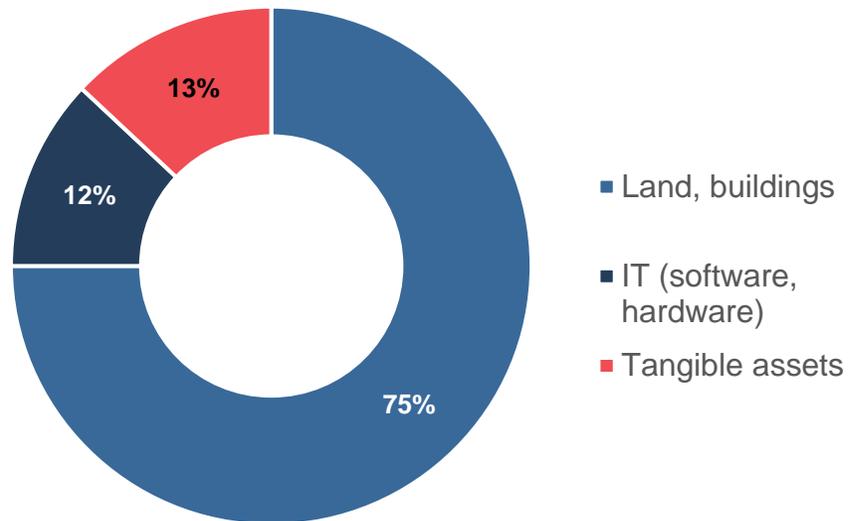
- Group earnings after tax decreases by 74.5%
- Two factors impacting on Group profit after taxes
 - Negative financial result of CHF –4.9 million (2018: CHF –5.2 million)
 - High tax rate of 31.1% (2018: 17.0%) due mainly to non-capitalized tax-loss carryforwards
- Tax rate expected over medium term: around 20%

Free cash flow impacted by high level of investment and acquisition activity



Very high investment volume

Net investment
(excl. acquisition and sale of companies)



- Net investment (excl. acquisition and sale of companies): CHF 55.7 million (2018: CHF 31.7 million)
 - Tangible assets (CHF 48.3 million)
 - Intangible assets (CHF 5.2 million)
 - Increase in granted loans (CHF 2.2 million)
- Investment in Group companies (CHF 22.4 million)

Conclusion of the largest investment program in Komax's history



Burghaun

Kabatec



Budakeszi

Komax Thonauer



Grafenau

Komax SLE



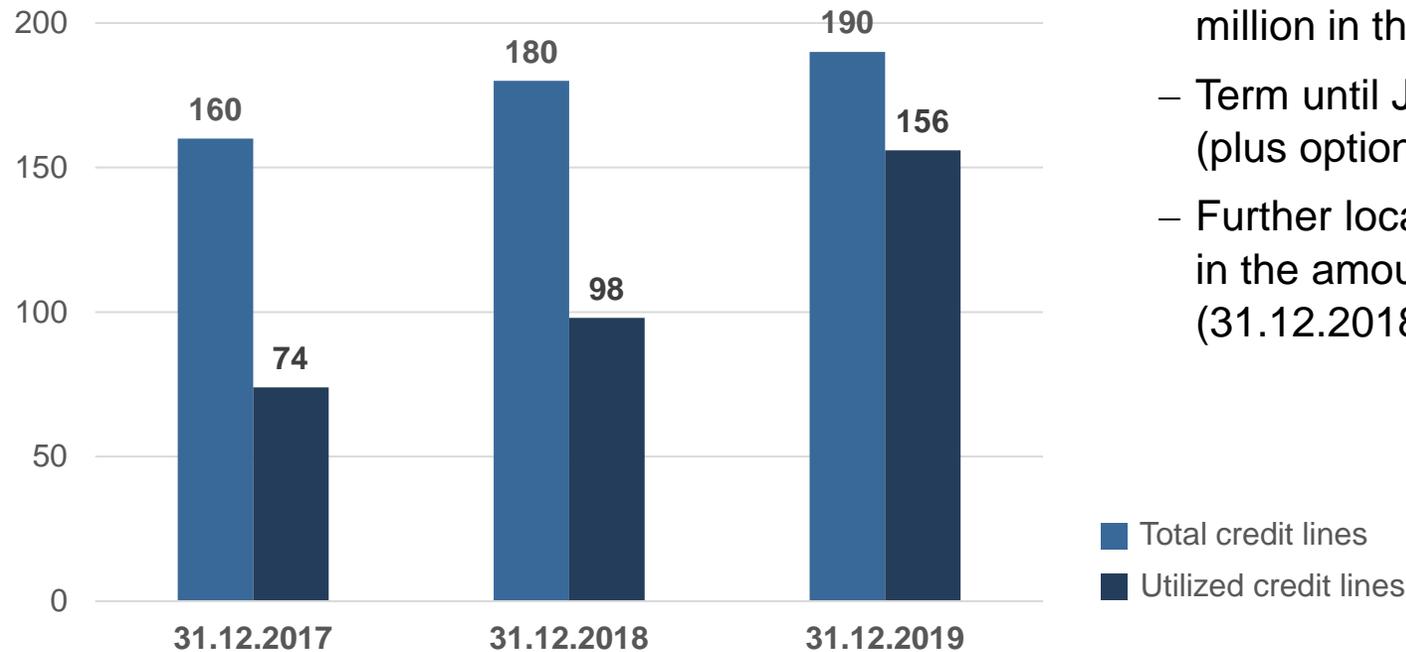
To be commissioned in phases
(started at the end of 2019)

CAPEX

- 2019: CHF 54 million
- 2020: CHF 22–28 million
- from 2021: 2%–3% of revenues annually

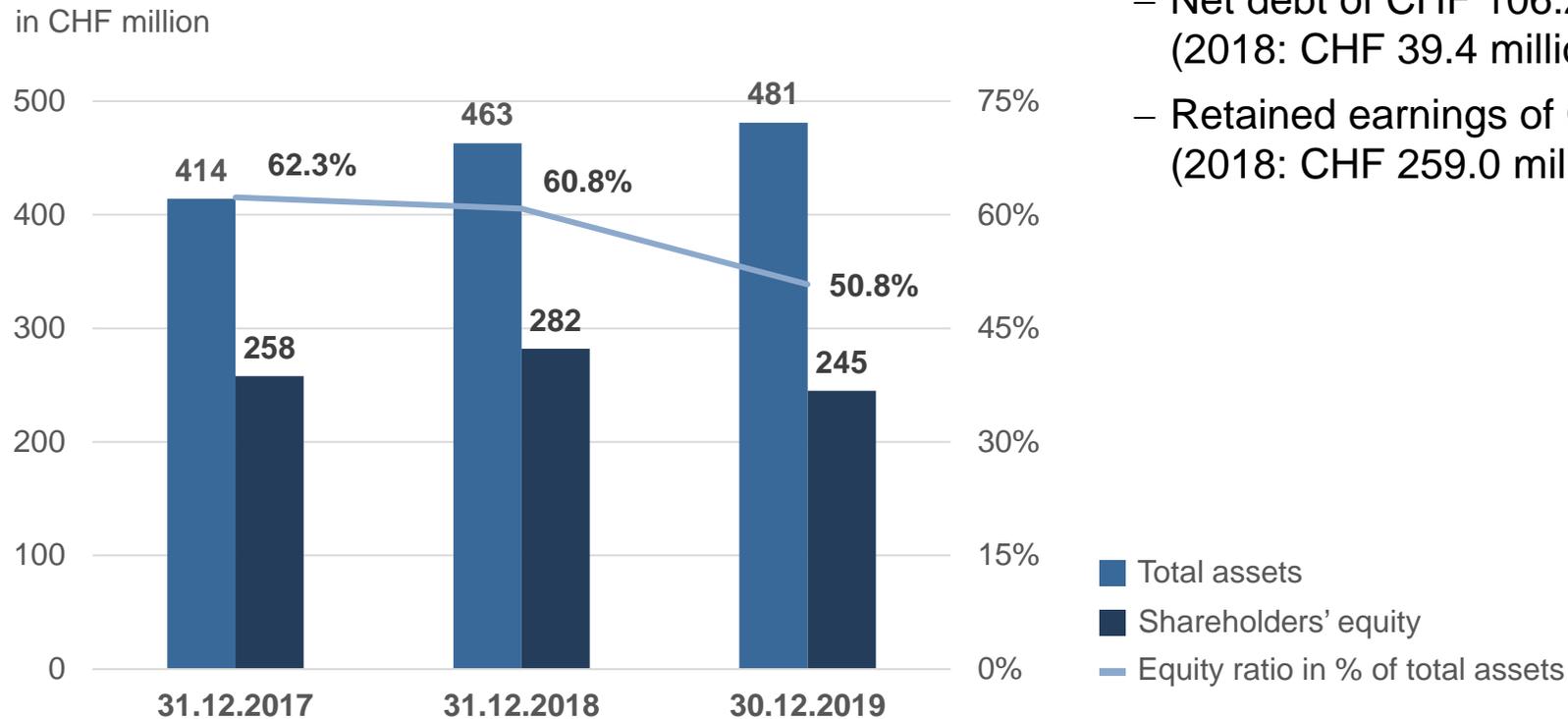
Future financing assured by credit limit

in CHF million



- Loan in the amount of CHF 160 million through a bank syndicate (2018: CHF 160 million)
- Increase of the syndicated loan to CHF 190 million in the first quarter of 2020
- Term until January 2022 (plus option for extension until January 2023)
- Further local credit lines for subsidiaries in the amount of CHF 30 million (31.12.2018: CHF 20 million)

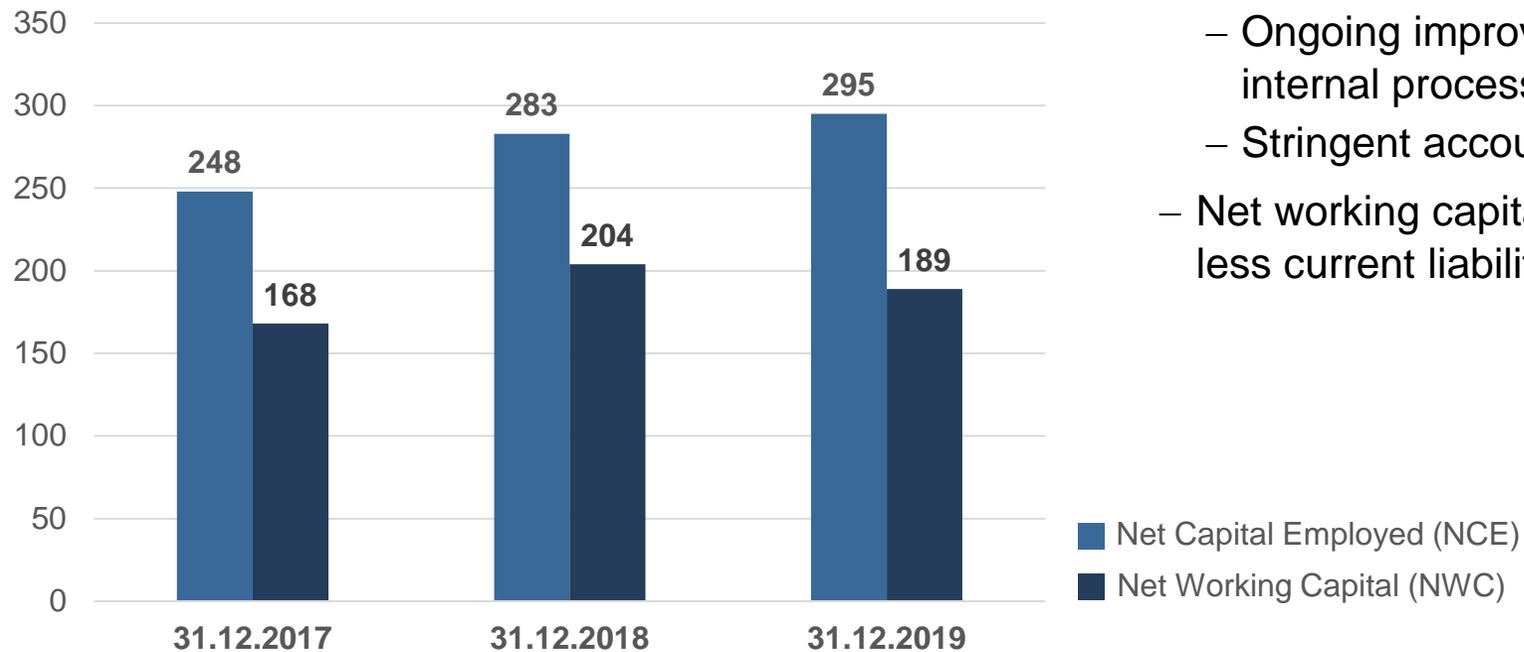
Continued robust financial base



- Equity ratio over 50%
- Net debt of CHF 106.2 million (2018: CHF 39.4 million)
- Retained earnings of CHF 223.8 million (2018: CHF 259.0 million)

RONCE declining sharply

in CHF million



- RONCE: 8.4% (2018: 25.2%)
- Robust management of net working capital (NWC)
 - Ongoing improvement and acceleration of internal processes
 - Stringent accounts receivable management
- Net working capital: receivables + inventory less current liabilities

Payout ratio of 52.3%

- Payout of CHF 1.80 per share proposed
 - Of which CHF 1.60 as dividend and CHF 0.20 as distribution from capital contribution reserves
 - Payout ratio within strategic bandwidth (50%–60%)

	2015	2016	2017	2018	2019 ¹
Distribution per share in CHF	6.00	6.50	6.50	7.00	1.80
Dividend yield in % as at 31 Dec.	3.1	2.6	2.0	3.0	0.8

¹ Proposal to the Annual General Meeting



- Share price in 2019: +2.8% (2018: –28.0%)
- Steady expansion of shareholder base
 - 31.12.2019: 7120 shareholders
 - 31.12.2018: 6027 shareholders
 - 31.12.2017: 5048 shareholders

AGENDA

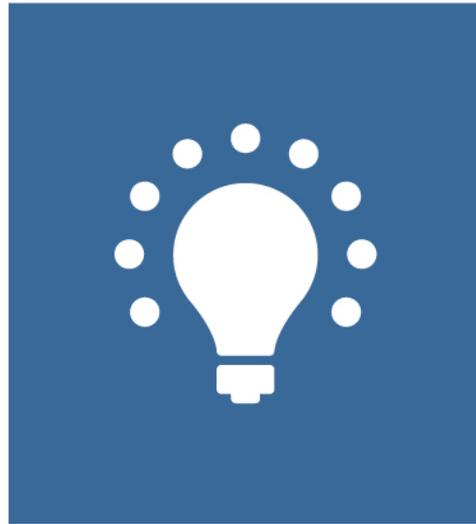
- 1 2019 financial year: financial performance
- 2 **Unchanged strategy – new mid-term targets**
- 3 Priority areas and outlook 2020
- 4 Questions

Focused strategy

**SOLUTIONS
ALONG THE
VALUE CHAIN**



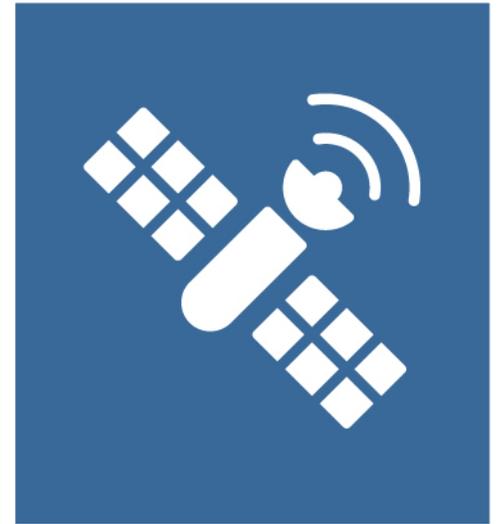
**INNOVATIVE
PRODUCTION
CONCEPTS**



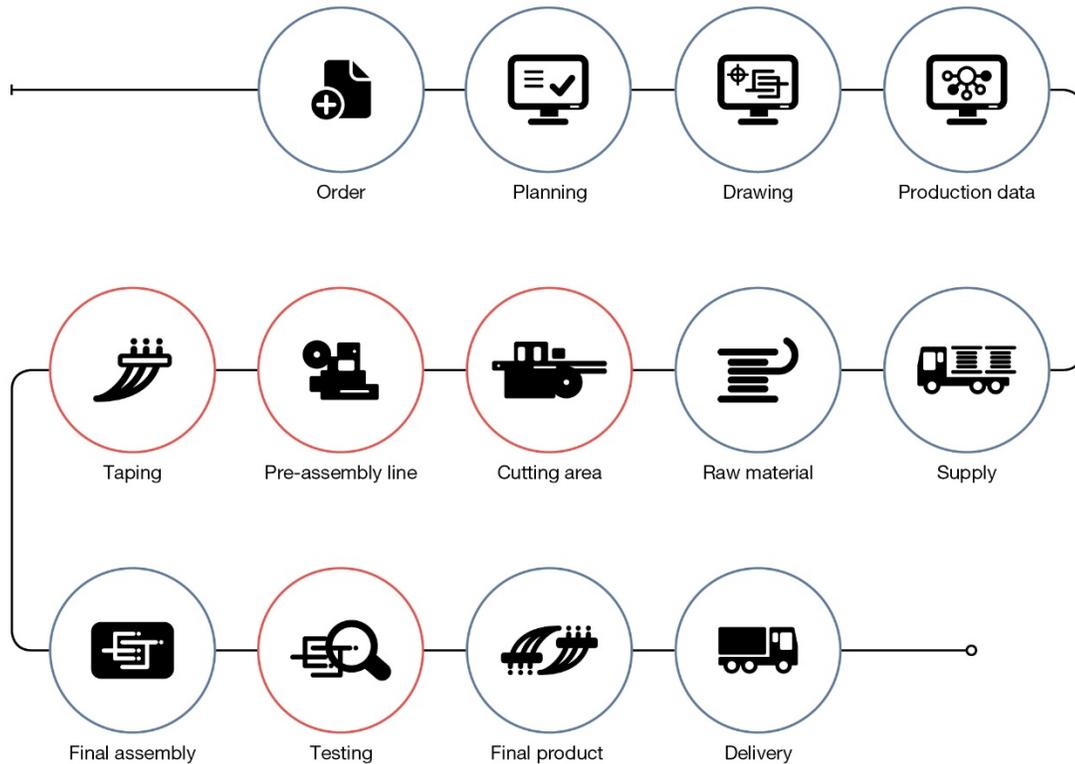
**GLOBAL
CUSTOMER
PROXIMITY**



**DEVELOP NON
AUTOMOTIVE
MARKETS**

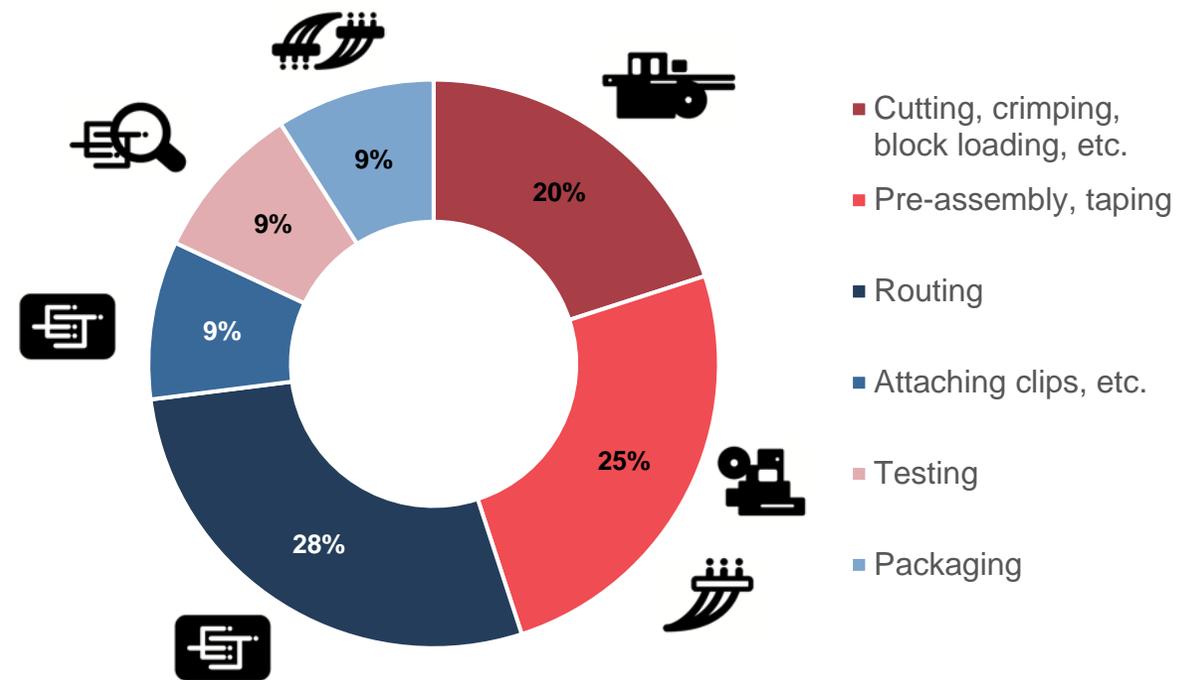


Komax offers solutions for every stage of customers' value chain



○ Komax automation solutions at work
 — Komax MES – Manufacturing Execution System

Proportion of time spent per wire harness

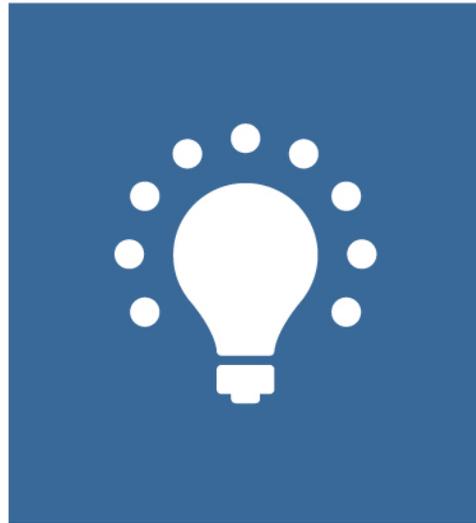


Focused strategy

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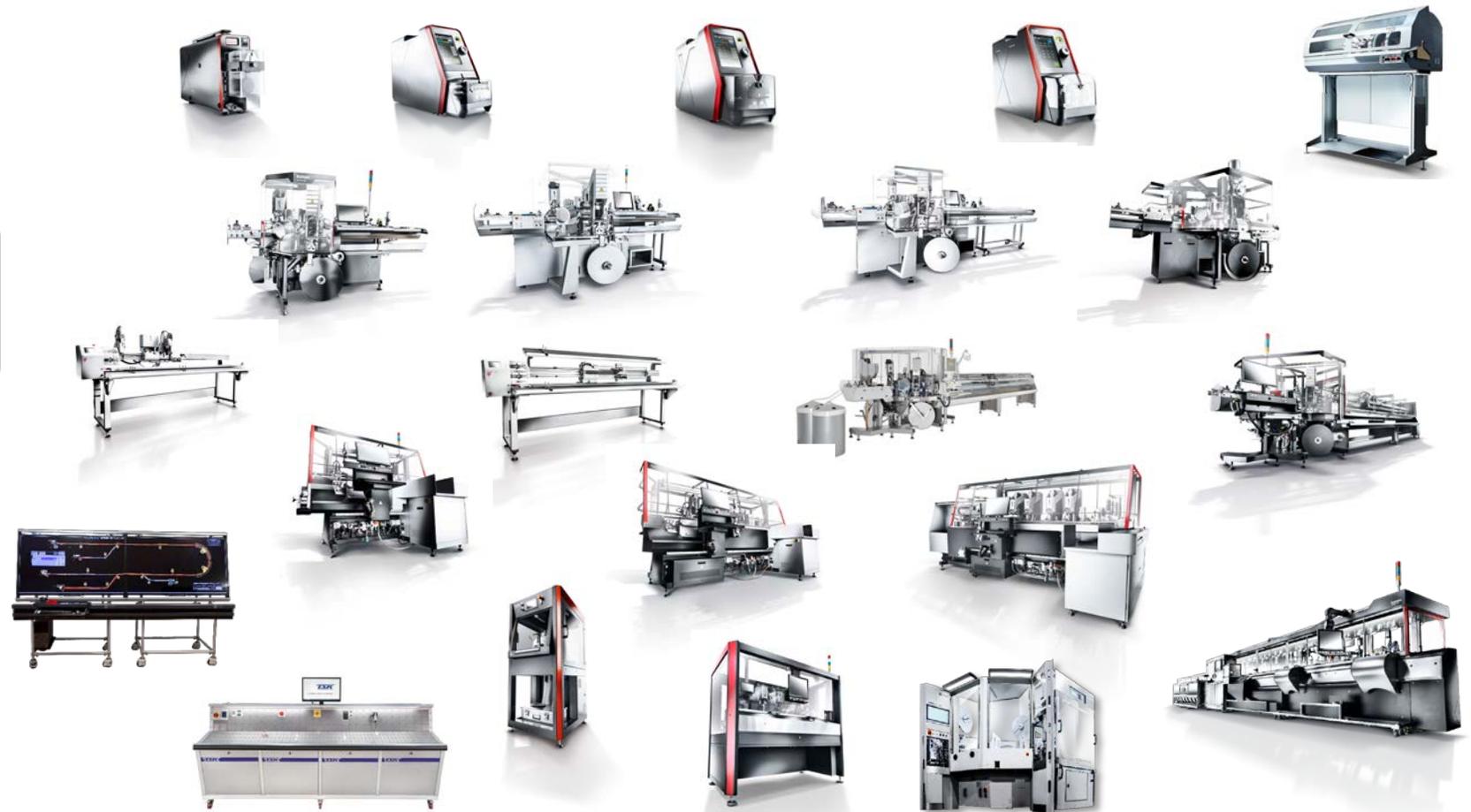
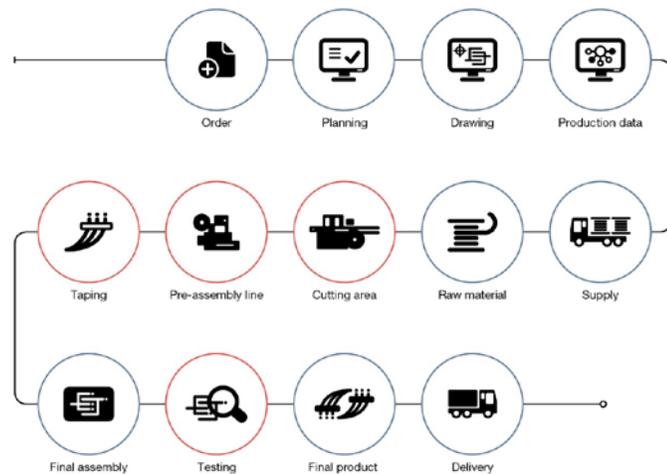


Significant investment in R&D

Prepared to meet changing market needs

Strategic target for R&D

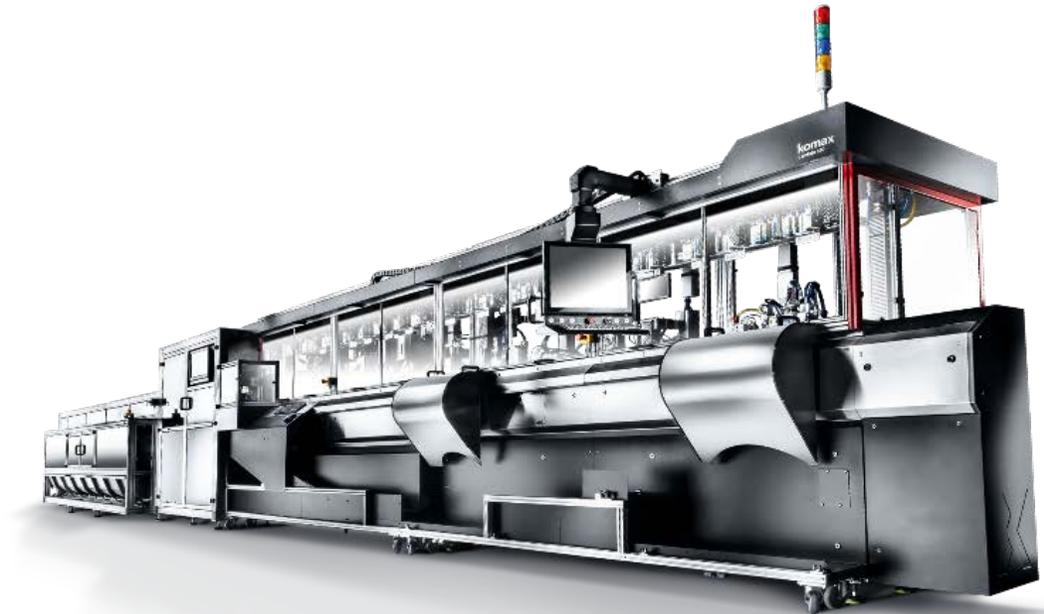
8%–9% of revenues



Customer-specific projects

Key element in expanding technology leadership

- Shared projects with customers focused on the automation of wire processing
- Aim: as many repeat orders as possible and integration of developments into serial production machines
- In recent years: several pioneering projects due to radical change in the automotive industry
- Future: projects with low risk profile
- Important: good balance between serial production machines and customer-specific projects, though the project business is much smaller and will remain so



Well positioned in autonomous driving

Acquisition of Exmore

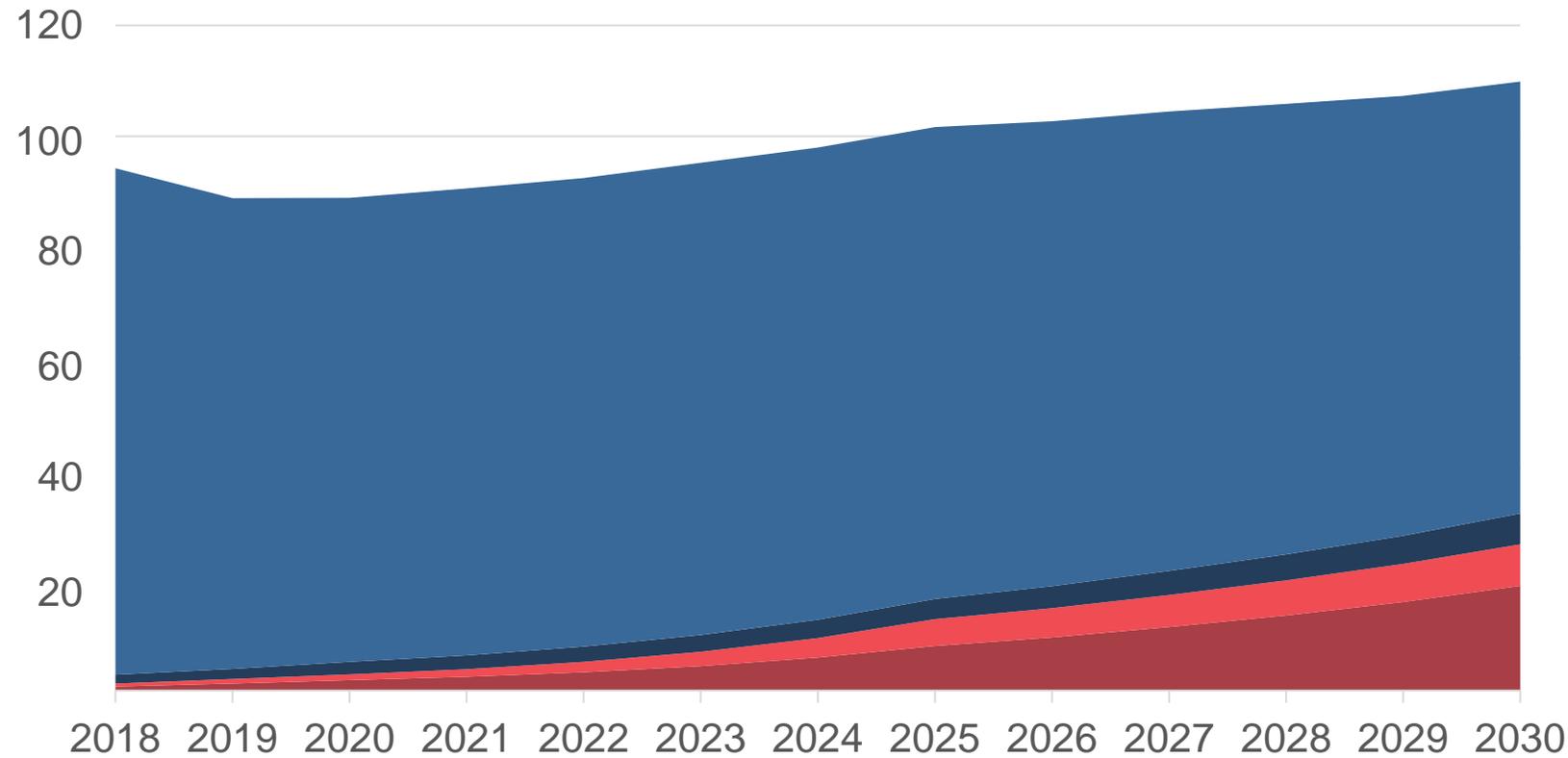
- Founded in 1993
- Own product portfolio and wealth of experience in developing innovative applications related to the processing of sensor cables
- Headquarters in Beerse, Belgium
- 60 employees
- Consolidated as at 1 October 2019



Development of e-mobility

Competence center at Komax Thonauer in Budakeszi (Hungary)

Number of produced cars
in million



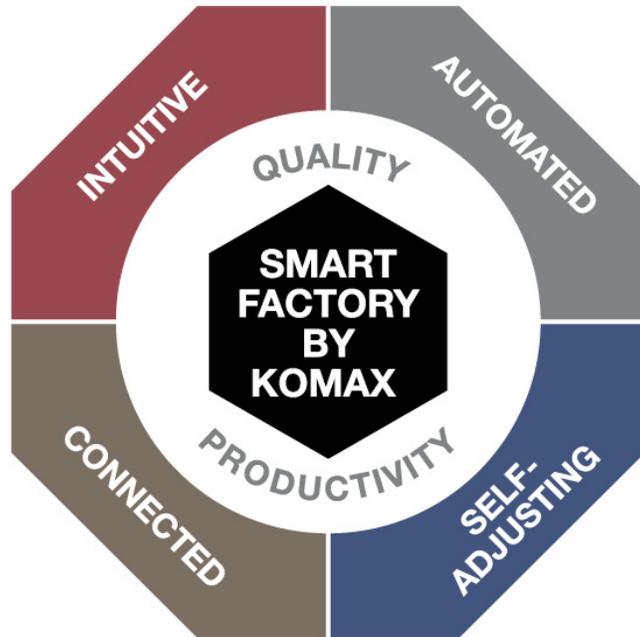
- Internal combustion engine (ICE)
- Full hybrid (HEV)
- Plug-in hybrid (PHEV)
- Battery electric vehicle (BEV)

Source: McKinsey / Komax

SMART FACTORY by KOMAX

Simpler, more convenient, and safer

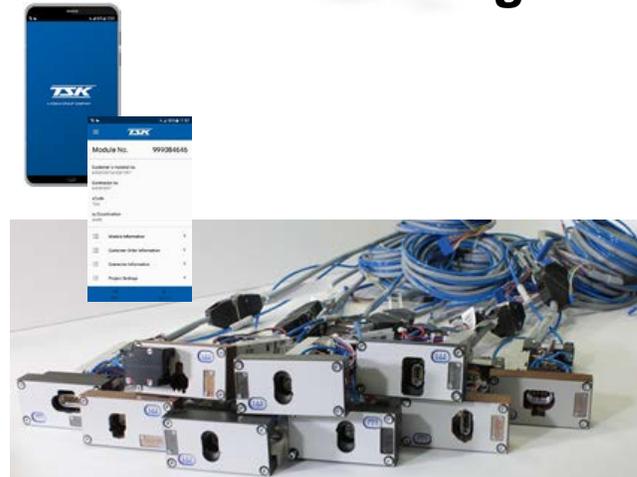
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Sigma 688 ST



Komax Connect



TSK Connect



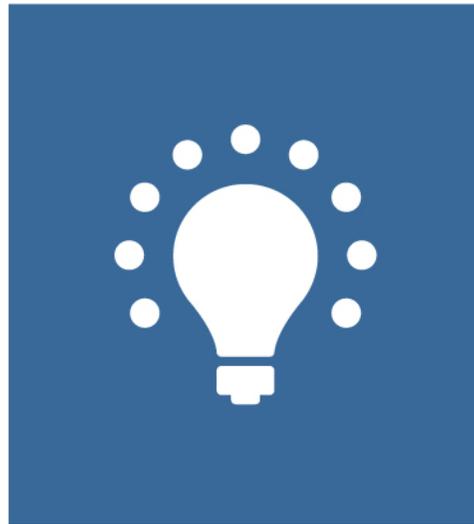
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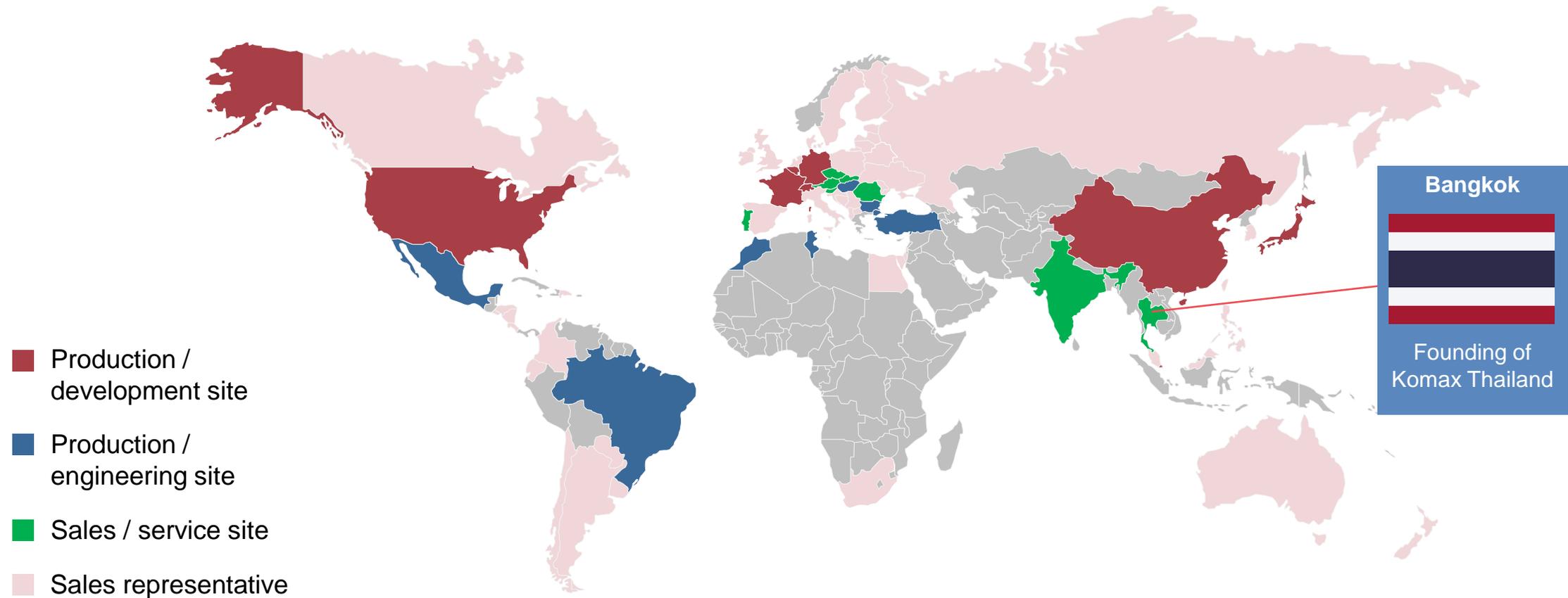


DEVELOP NON
AUTOMOTIVE
MARKETS



Global local

Unique sales, engineering, and service network



Strengthening of position in North America

komax

Acquisition of Artos Engineering

- Founded in 1911
- Own product portfolio and wealth of experience in developing innovative applications
- Headquarters in Brookfield, Wisconsin, USA
- 50 employees
- Consolidated as at 1 April 2019

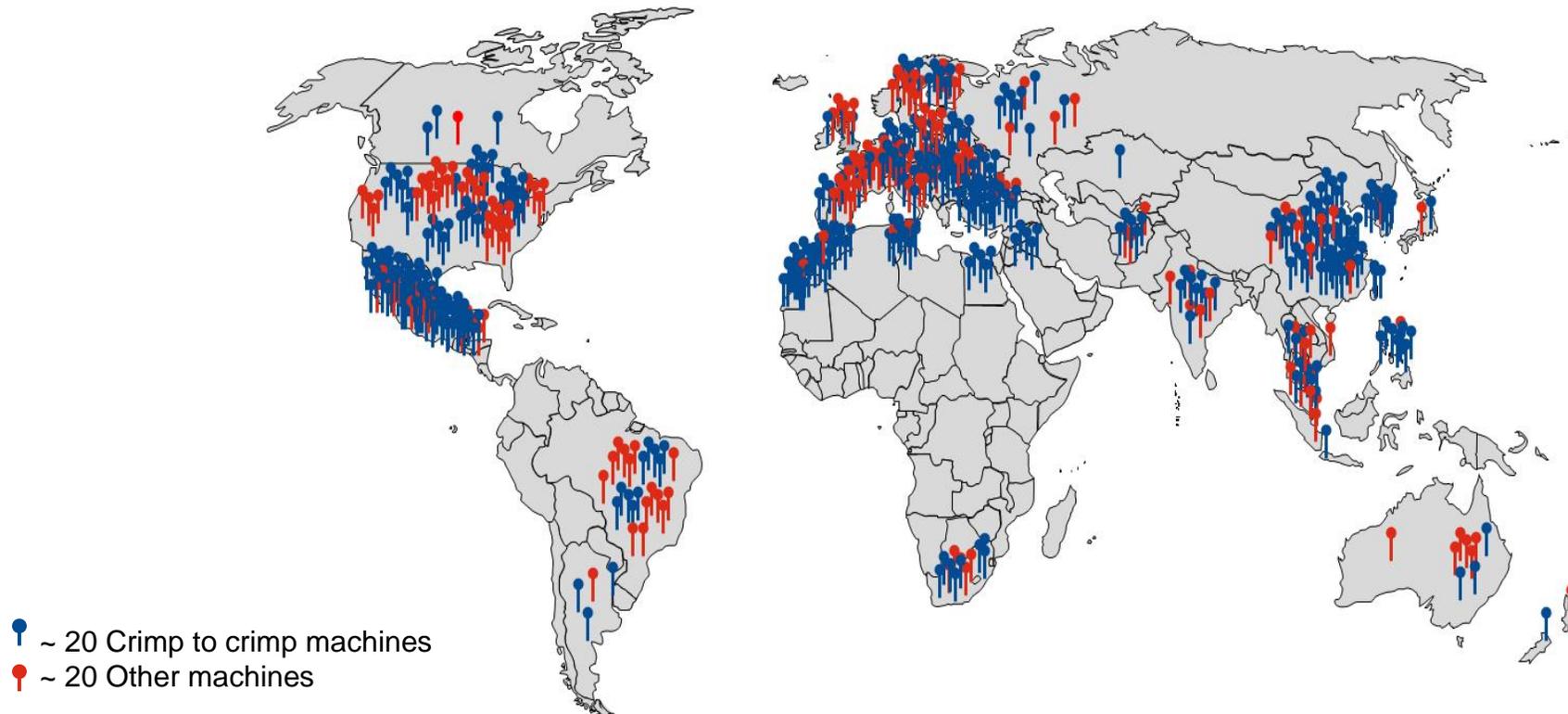
ARTOS
ENGINEERING COMPANY



Largest installed base in the world

Komax machines on all continents

- Diversified customer portfolio (including key accounts, small regional companies, all OEMs)



Focused strategy

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INNOVATIVE
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GLOBAL
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DEVELOP NON
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MARKETS



Rigorous development of non-automotive markets



AerospacE



Data/Telecom

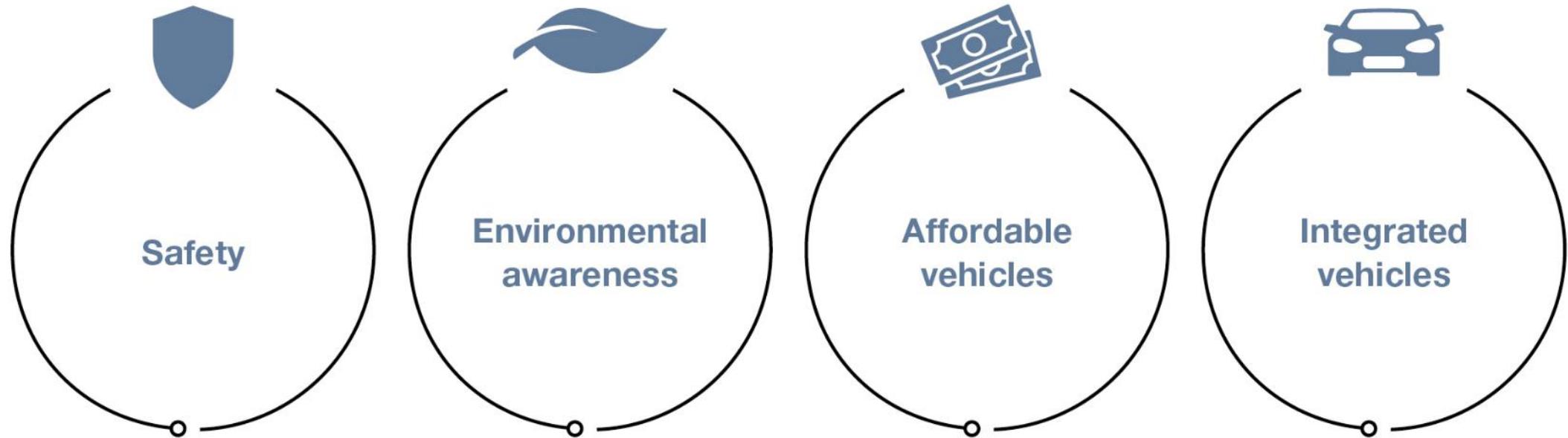


Industrial

- Non-automotive markets make a substantial contribution to revenues, accounting for less than 20%
- Selective and complementary build-up of competencies in non-automotive areas supports success of core business

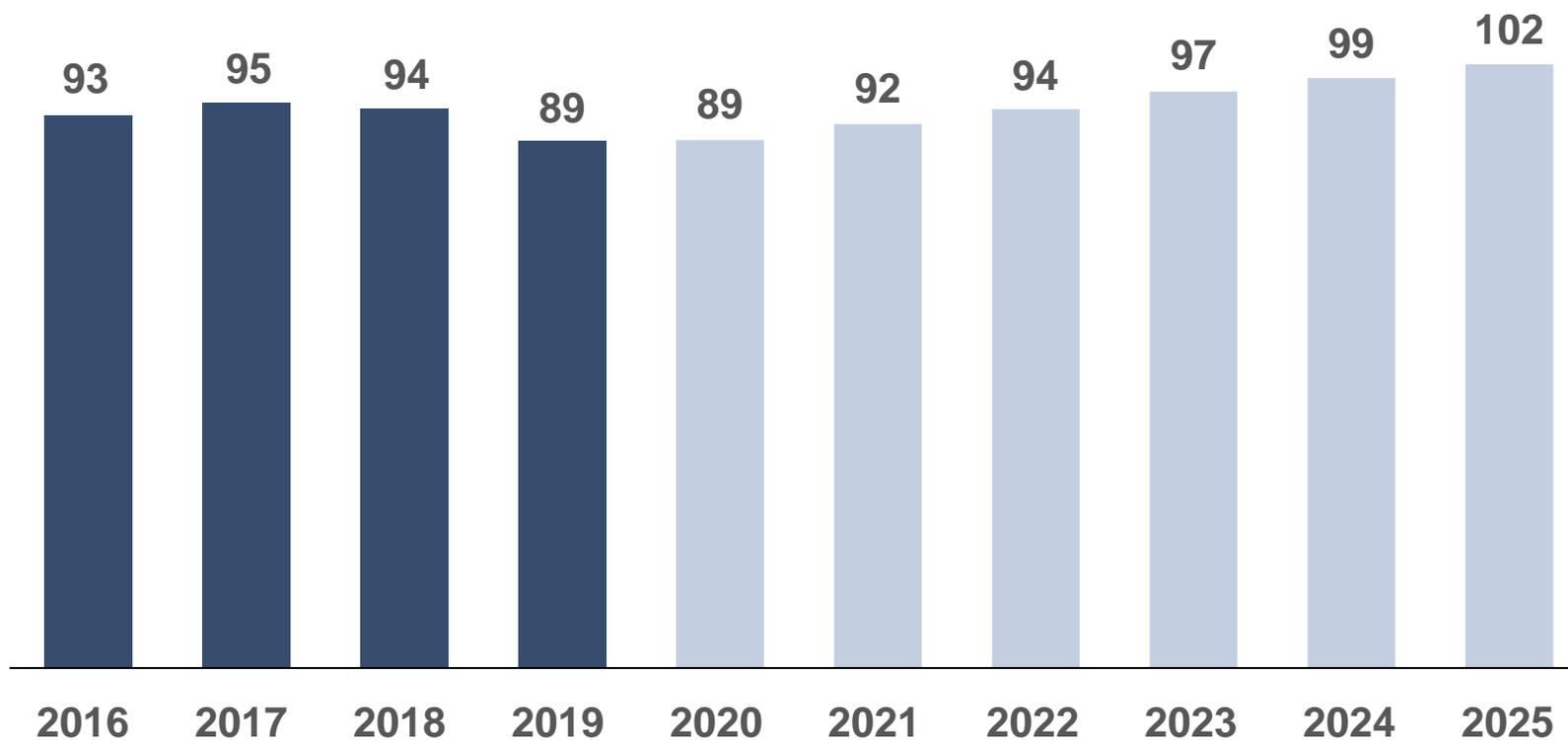
MID-TERM TARGETS

Global megatrends in the automotive industry



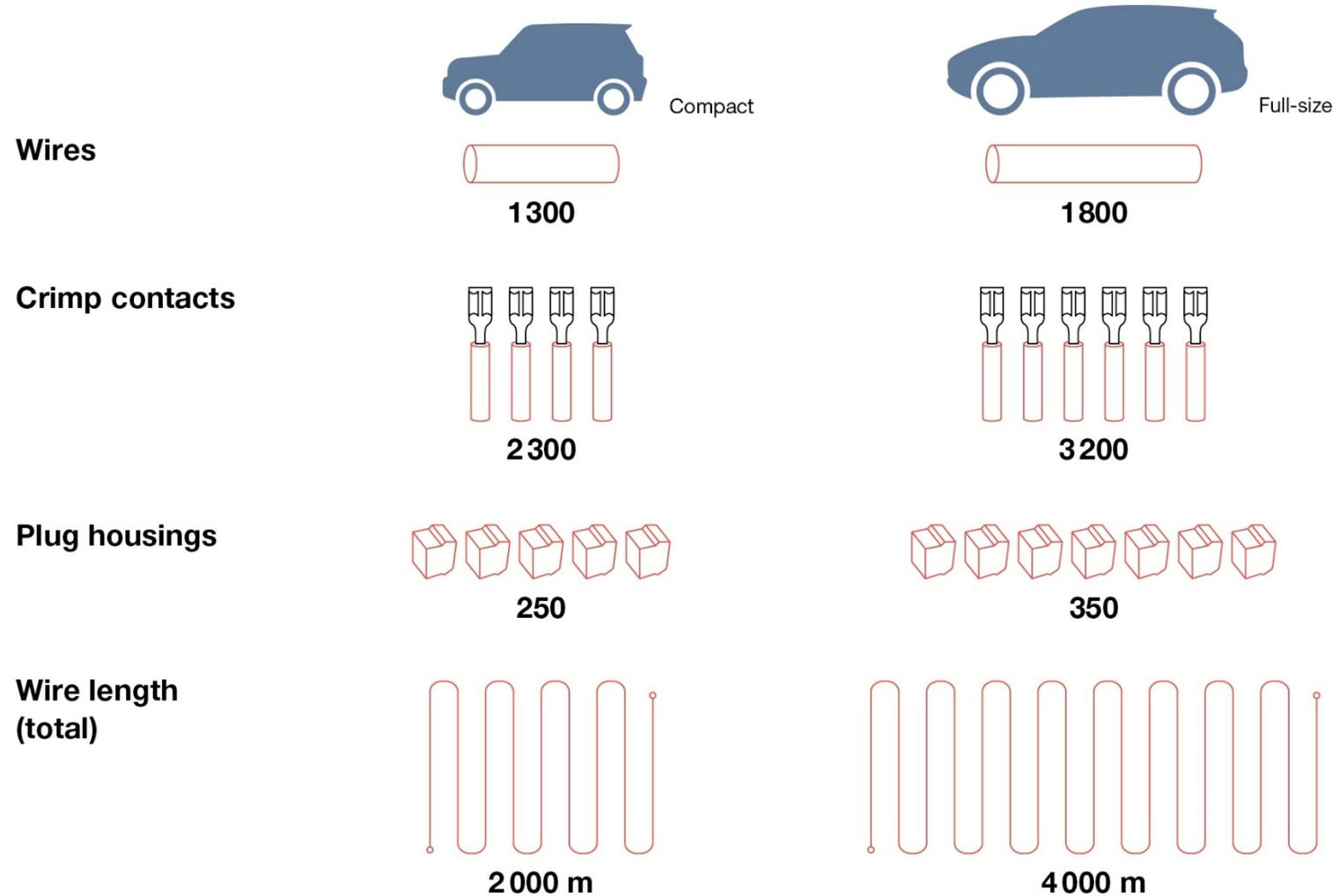
Vehicle production set to increase again from 2021 (CAGR: 1%–2%)

Production of passenger cars and light commercial vehicles
in million vehicles



Source: IHS Markit, November 2019

Increasing in electrical functions

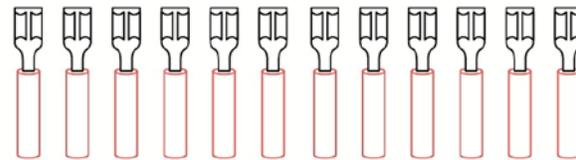


Steady rise in level of automation (CAGR: 2%–3%)

Numerous reasons



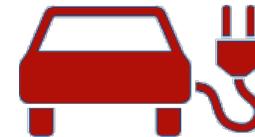
rising wage costs



rising number of wires



autonomous driving



e-mobility



traceability



staff availability



miniaturization

Mid-term targets up to 2023

REVENUES

CHF

450–550

million

- Primarily organic growth
- Increase in number of vehicles produced from 2021 (CAGR: 1%–2%)
- Increase in level of automation (CAGR: 2%–3%)

EBIT

CHF

50–80

million

- EBIT dependent on product mix
- EBIT strongly influenced by volume business (crimp-to-crimp)
- Low revenues (CHF 450 million) resulting in low EBIT (CHF 50 million)

PAYOUT

50%–60%

of EAT

- Shareholders benefiting from sustained generation of value
- Attractive dividend policy
- Dividend dependent on business performance; no minimum dividend

AGENDA

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- 2 Unchanged strategy – new mid-term targets
- 3 Priority areas and outlook 2020**
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Current situation

Coronavirus

Coronavirus – too early to predict impact

- January/February 2020: revenues in China around 40% lower than in 2019
- Travel reduced to a minimum
 - Customers cannot perform factory acceptance testing (FAT) at Komax' sites
 - Service technicians cannot provide support in customers' plants
 - Salesforce cannot visit customers
 - Constantly changing restrictions
- Impact and measures vary from company to company

Current situation

Review of the structures / reducing costs

Review of the structures of the entire Komax Group

- Review within the first six months of 2020
- First staffing and organizational measures already implemented

Measures for reducing costs

- Short-time working at several locations
- Individual redundancies
- General reduction of OPEX
- Investment stop – excluding buildings and urgent replacement investments

Priority areas 2020

- Successfully navigating the challenges presented by the coronavirus
- Review of the structures of the Komax Group ⇒ implementation of organizational and staffing measures
- Completion of customer-specific pioneer projects
- Integration of Artos Engineering and Exmore
- Bringing new production and development building at headquarters on-stream

Outlook

- The Komax Group’s medium- and long-term growth outlook remains positive as customers continue to target a significant increase in the level of automation in wire processing going forward. What is more, trends such as autonomous driving and e-mobility will power growth at Komax.
- That said, the company will suffer over the short term as the entire automotive industry comes under enormous pressure to adapt its value chain.
- Komax expects 2020 to be another challenging year. For this reason, it has already initiated measures to reduce costs over the long term. In addition, Komax is adapting its structures to be even better aligned with momentum in the markets.
- Since business development visibility is very low and the implications of the coronavirus outbreak are presently impossible to gauge, a forecast can currently not be made for the 2020 financial year.

Contact / Financial calendar

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Financial calendar

Annual General Meeting	21 April 2020
Dividend payment	27 April 2020
Half-year results 2020	18 August 2020
Investor Day	23 October 2020
Preliminary information on 2020 financial year	26 January 2021
Annual media and analyst conference on the 2020 financial results	16 March 2021

Disclaimer

This presentation contains forward-looking statements in relation to Komax which are based on current assumptions and expectations. Unforeseeable events and developments could cause actual results to differ materially from those anticipated. Examples include: changes in the economic and legal environment, the outcome of legal disputes, exchange rate fluctuations, unexpected market behavior on the part of our competitors, negative publicity and the departure of members of management. The forward-looking statements are pure assumptions, made on the basis of information that is currently available.

QUESTIONS?

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