

# RESULTS 2020 AND MID-TERM TARGETS

**komax**

16 March 2021

# 2020 in brief

## **Slump in demand in the automotive industry due to the coronavirus pandemic**

- Sharp drop in investments in automation solutions

## **Swift implementation of comprehensive cost-cutting measures**

- Multifaceted package of measures to reduce costs sustainably and at short notice

## **Breakthroughs with innovation projects**

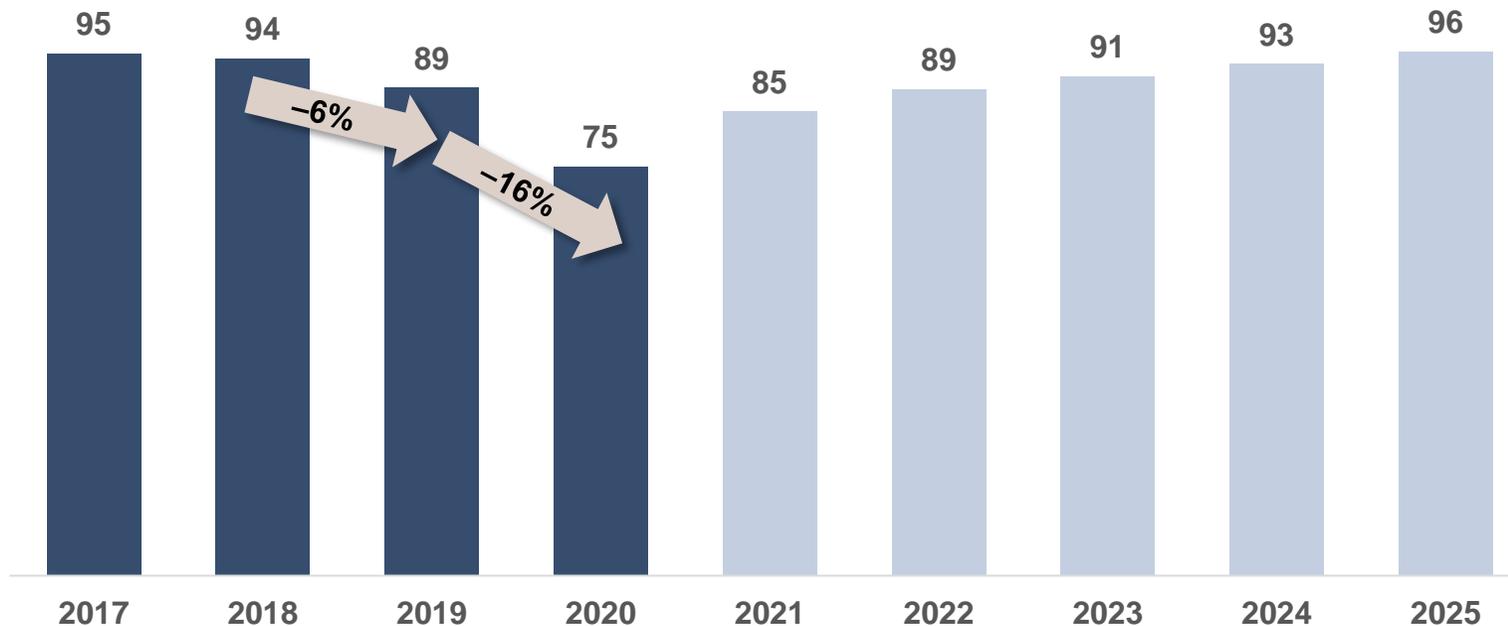
- Successful field tests on various key projects

## **Completion and occupation of new innovation center in Dierikon**

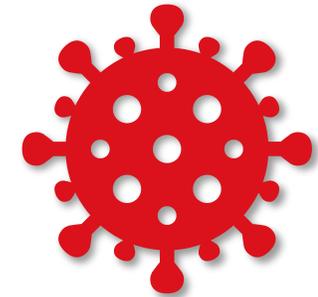
- First machines produced in April 2020

# Production volumes in automotive industry down substantially

Production of passenger cars and light commercial vehicles in million vehicles



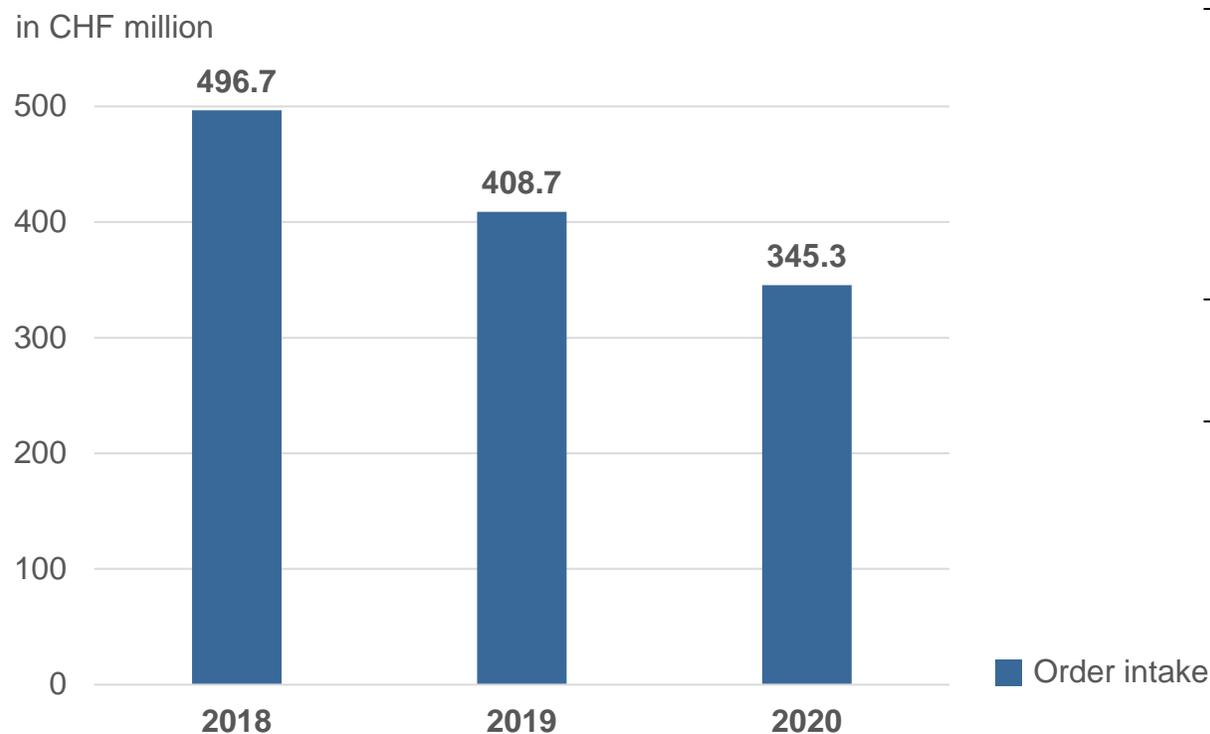
Source: IHS Markit, March 2021



- Coronavirus pandemic hit an already weakening automotive industry hard
- In November 2019 IHS Markit forecast that **89 million vehicles** would be produced in **2020**

# COVID-19 causing drop in orders

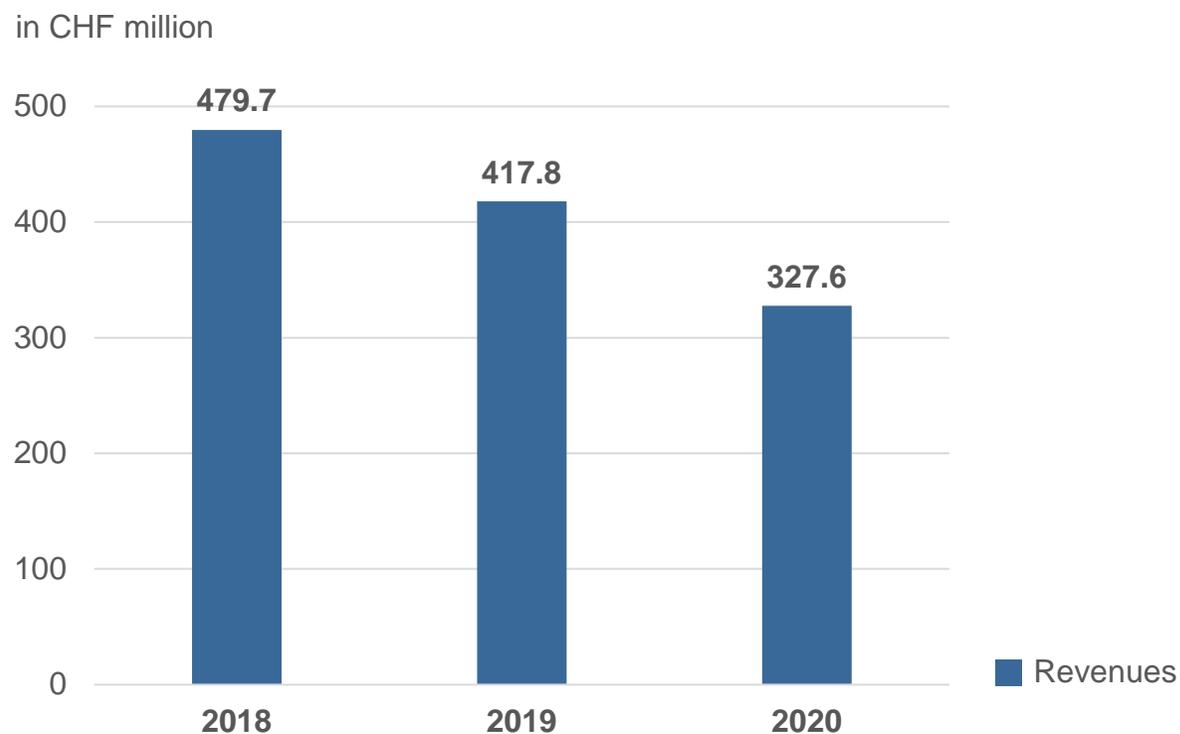
## Volume business sparse, new technologies still in demand



- Order intake decreases by 15.5%
- 2nd half at prior year level mainly thanks to very strong 4th quarter
  - H1 2020: CHF 143.8 million
  - H2 2020: CHF 201.5 million (H2 2019: CHF 202.0 million)
- Numerous automotive plants closed for weeks
- Customers facing excess capacity

# Positive revenue trend in 2nd half

## Gradual improvement in market situation



- Revenues down by 21.6%
- Factors behind development of revenues
  - Organic decline: –20.8%
  - Acquisition-related growth: +2.6%
  - Foreign currency impact: –3.4%
- Revenues much higher in 2nd half, mainly thanks to strong 4th quarter
  - H1 2020: CHF 145.2 million
  - H2 2020: CHF 182.4 million
- Production highly flexible: capacity continually adjusted to match orders in hand
- Book-to-bill ratio: 1.05 (2019: 0.98)

# Structural adjustments and cost cuts

Fast, rigorous implementation of numerous measures

## SHORT-TERM COST CUTS 2020

Costs reduced by over CHF 50 million year-on-year

### Multifaceted package of measures

- Short-time working in various countries
- Reduction of temporary and fixed-term staff, also some redundancies
- Recruitment freeze
- Reduction of external services (e.g. research and development)
- Postponement of projects
- Travel freeze
- Massive reduction in marketing expenditure

# Structural adjustments and cost cuts

Fast, rigorous implementation of numerous measures

## SUSTAINABLE COST CUTS

Cost base reduced by over CHF 10 million

### Adjustment of headcount to changed market situation

- Headcount reduced by almost 10%, with some 80 employees leaving the Komax Group in the course of the 1st half of 2021

### Consolidation of locations

- Reduction in number of production sites in North America (previously: US and Mexico; new: Mexico)

### Structures streamlined effective 1 January 2021

- Merger of two companies in France: Laselec SA and Komax France Sàrl.
- Merger of two companies in the US: Komax Corporation and Artos Engineering Company

# Structural adjustments and cost cuts

Fast, rigorous implementation of numerous measures

## SUSTAINABLE COST CUTS

Cost base reduced by over CHF 10 million

### Increase in market orientation of innovation center in Switzerland as at 1 January 2021

- New organizational structure with lean management: shorter communication paths and more rapid decision-making processes in order to react to changing market needs with greater agility

### Streamlining of management structures

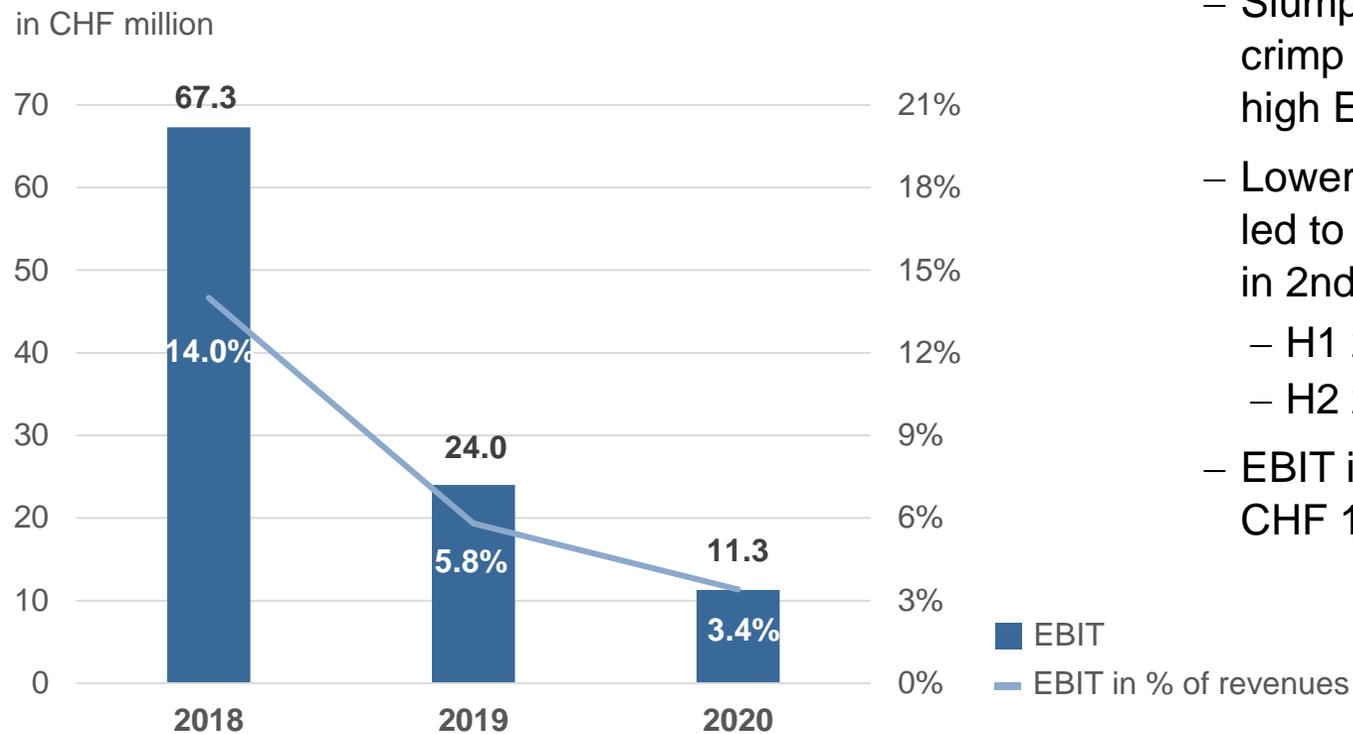
- Merger of various functions such as Global Sales, Marketing, Service, Lean Management, and Digital Transformation

### Risk minimization

- Reduction of customer-specific activities in the companies Exmore (Belgium), Komax AG (Switzerland), Komax SLE (Germany), and Laselec (France)

# Significant EBIT improvement in 2nd half

## Comprehensive cost-saving measures showing an impact



- EBIT decreases by 53.2%
- Slump in volume-based business (crimp-to-crimp machines), a disproportionately high EBIT contributor
- Lower costs and higher revenues led to significant improvement in EBIT in 2nd half
  - H1 2020: CHF –4.7 million
  - H2 2020: CHF 16.0 million
- EBIT includes restructuring costs of CHF 1.6 million

# AGENDA

- 1 Financial performance**
- 2 Strategy and mid-term targets
- 3 Priority areas and outlook 2021
- 4 Questions

# Financial priorities 2020

## Revenue generation

- Full year: travel restrictions making it difficult to conduct acceptance tests on (customized) machines
- 1st half: interruption of supply chains, some delays in delivery of machines
- 2nd half: intact supply chains, delivery capacity continually guaranteed

## Liquidity planning and long-term securing of financing

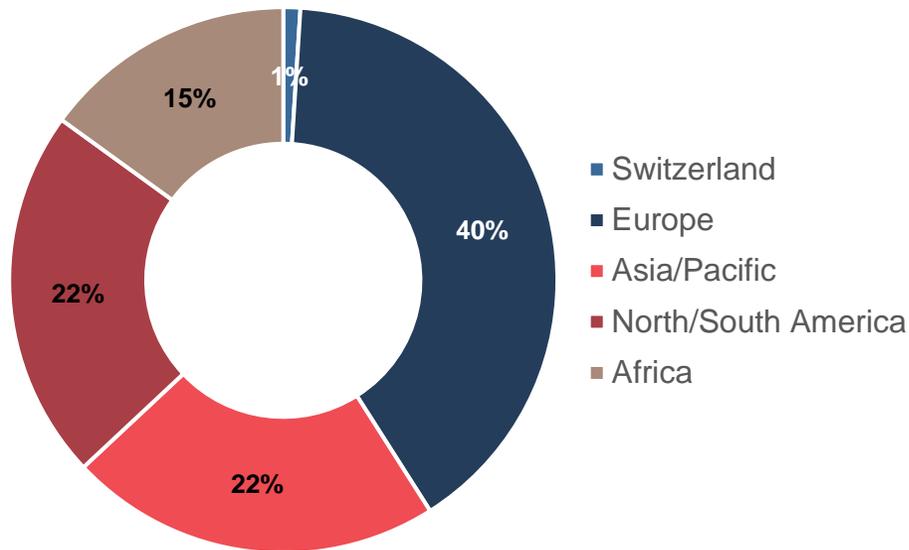
- Constant, Group-wide liquidity planning and monitoring in all key currencies
- Syndicated loan facility increased
- Temporary adjustment of financial covenants
- Generating free cash flow
- Reduction of net debt

## Government grants

- Financial support in various countries totaling CHF 24.6 million, mainly in Switzerland in the form of short-time working compensation

# Decline in revenues in all regions

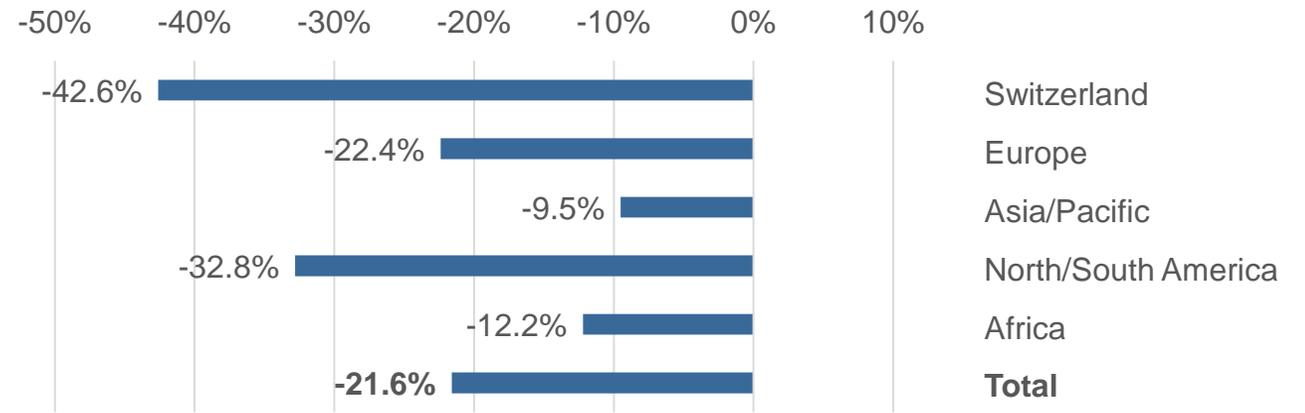
Revenues by region in 2020



Revenues by region in 2019

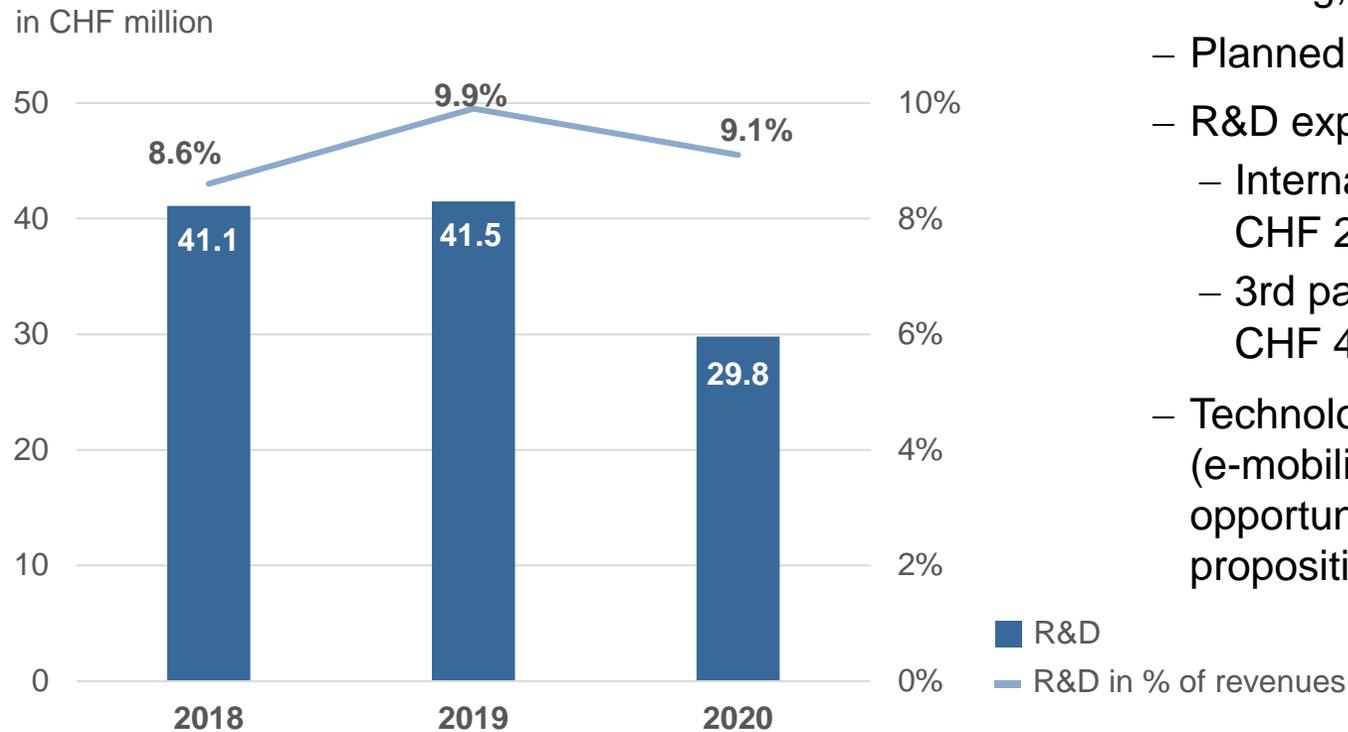
- Switzerland 2%
- Europe 41%
- Asia/Pacific 19%
- North/South America 25%
- Africa 13%

Change from previous year



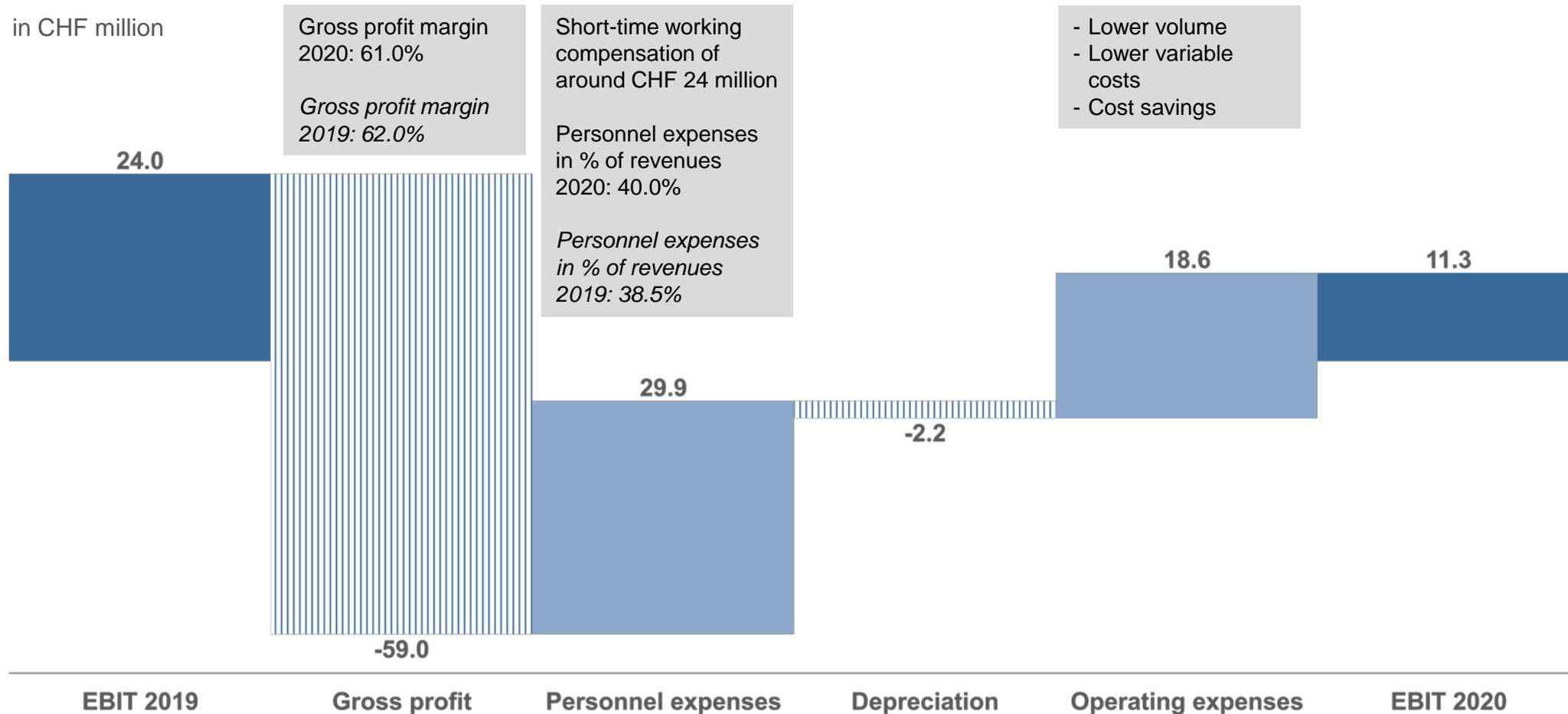
- The market situation improved fastest in Asia, while in South America the recovery had not yet begun by the end of the year.
- With personnel resources becoming increasingly scarce in Eastern Europe, wire harness manufacturers are still relocating part of their production to North Africa.

# Progress on innovation projects



- Innovative efforts scaled down due to short-time working, but major milestones still achieved
- Planned annual R&D spending: 8%–9%
- R&D expenditure consist of
  - Internal development services of CHF 25.1 million (2019: CHF 34.0 million)
  - 3rd party development services CHF 4.7 million (2019: CHF 7.5 million)
- Technological shift in automotive industry (e-mobility, autonomous driving, etc.) creating opportunities for further unique selling propositions

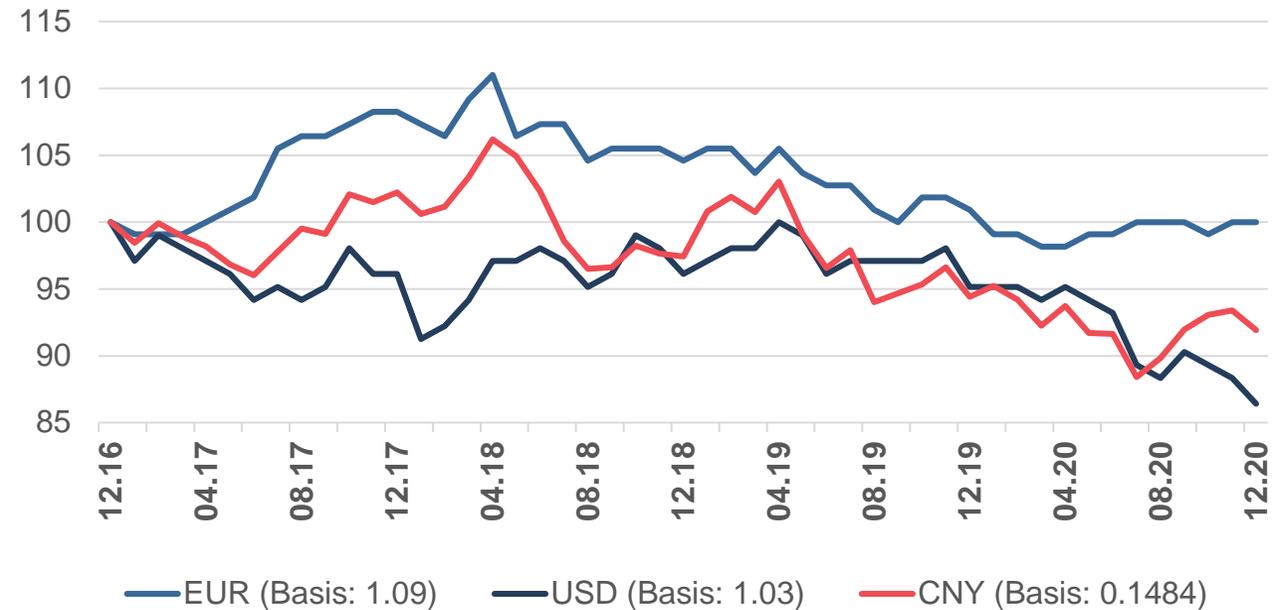
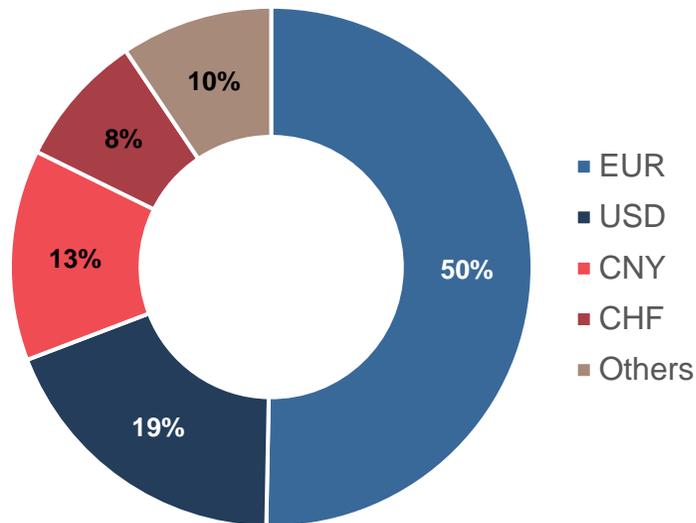
# Positive EBIT thanks to cost-saving measures



# Currency effect again negative

Depending on FX trend, at least half-yearly price adjustments

Revenues by currency



– **Foreign currency impact 2020**

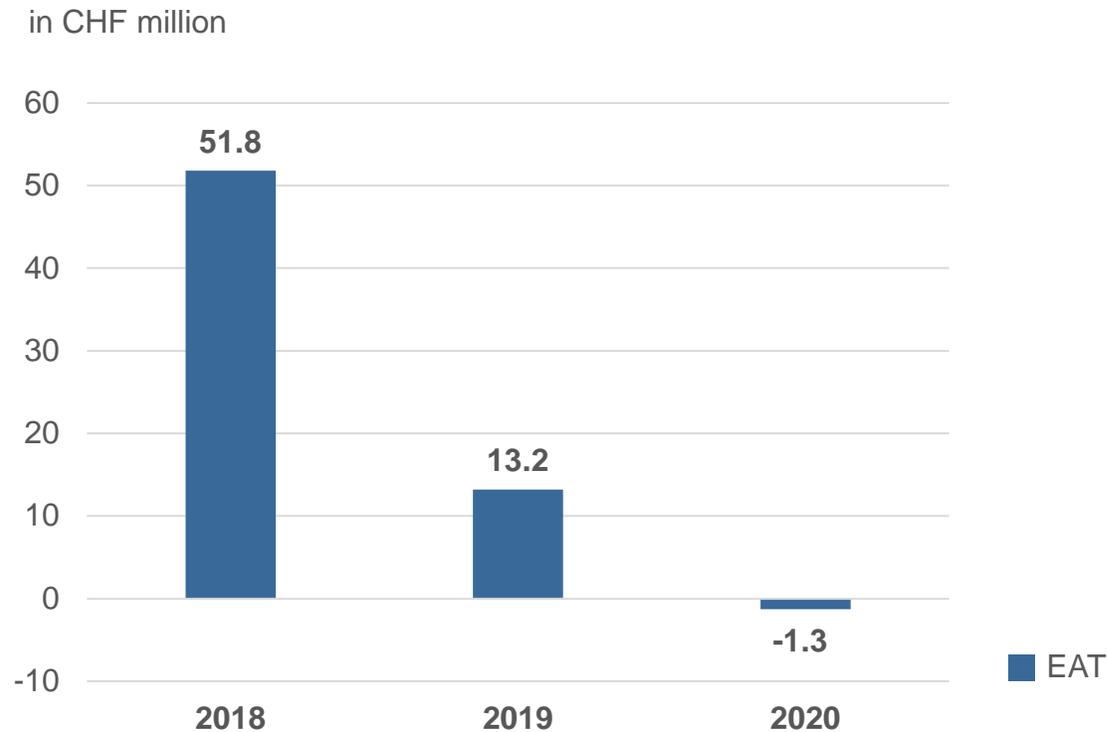
revenues: –3.4%, gross profit margin: –2.5 pts, EBIT margin: –1.2 pts

– **Foreign currency impact 2019**

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

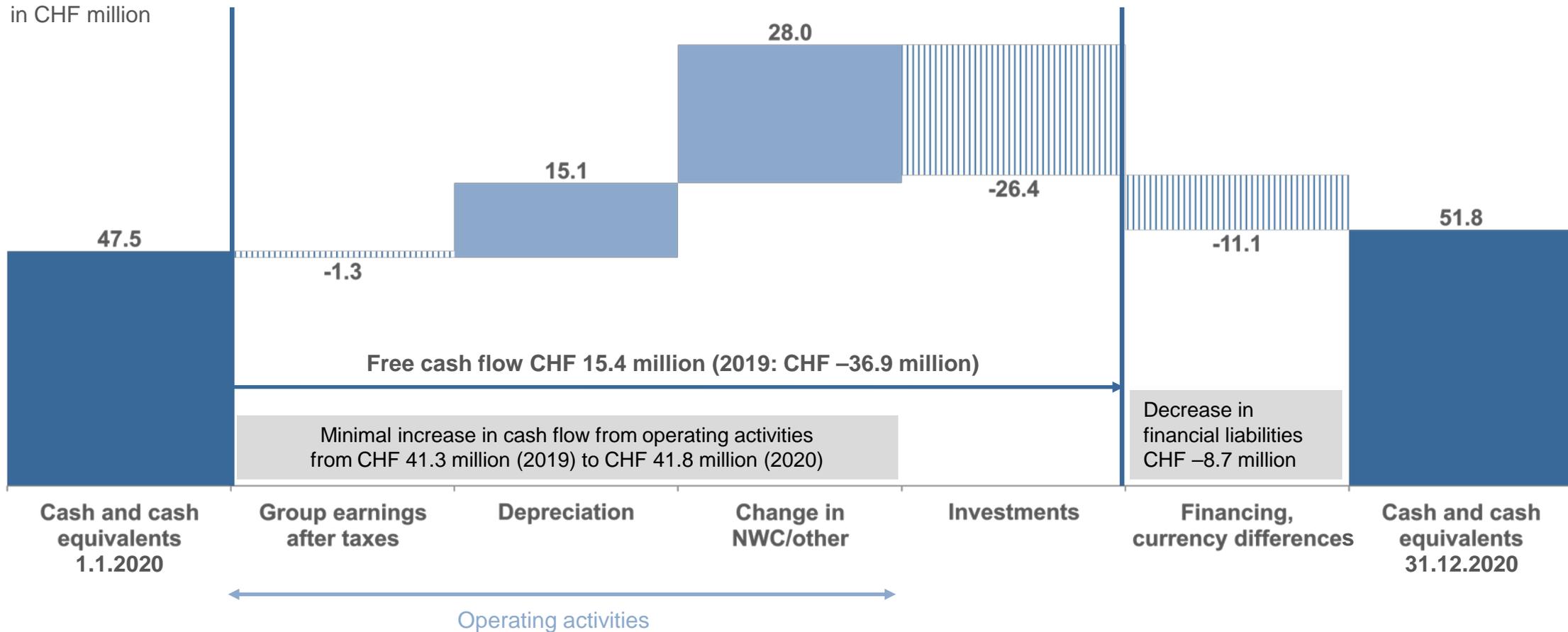
# Financial result and tax expenses impact

## Group earnings after taxes (EAT)

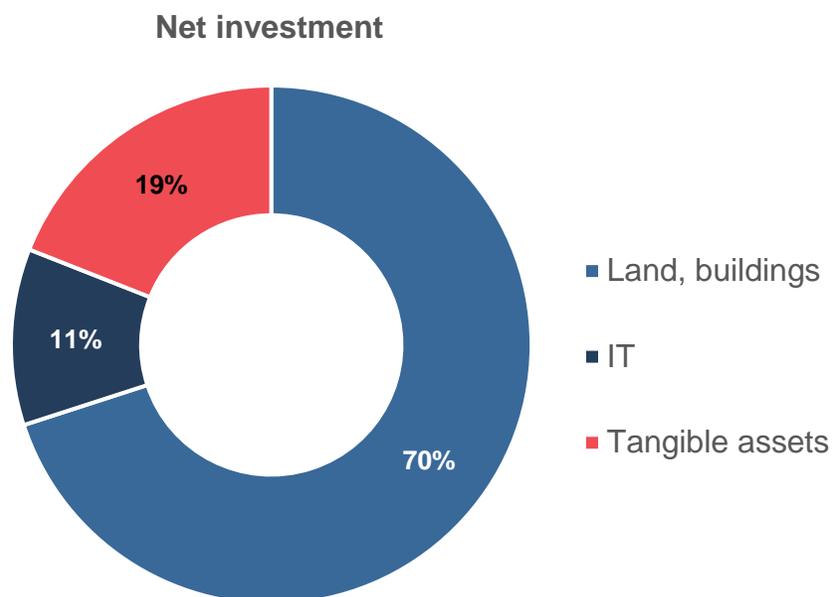


- Group earnings after taxes down by 110.0%
- EAT impacted by two factors
  - Negative financial result of CHF –8.9 million (2019: CHF –4.9 million)
    - higher interest charges
    - realized currency losses due to repayment of loans by subsidiaries
  - Exceptional tax rate
    - if tax-loss carry forwards were capitalized, the tax rate would be below 25%
- Tax rate expected over medium term: around 20%

# Free cash flow of CHF 15.4 million



# Significantly lower volume of investment since newbuild at headquarters completed



- Investment freeze, aside from completion of the new building in Dierikon
- Net investment:  
CHF 25.3 million (2019: CHF 55.7 million)
  - tangible assets (CHF 22.9 million)
  - intangible assets (CHF 2.4 million)
- Investment in Group companies (CHF 1.0 million)
- Planned investment volume going forward (excl. acquisition and sale of companies): 2%–3% of revenues annually

# Innovation center as vertical factory

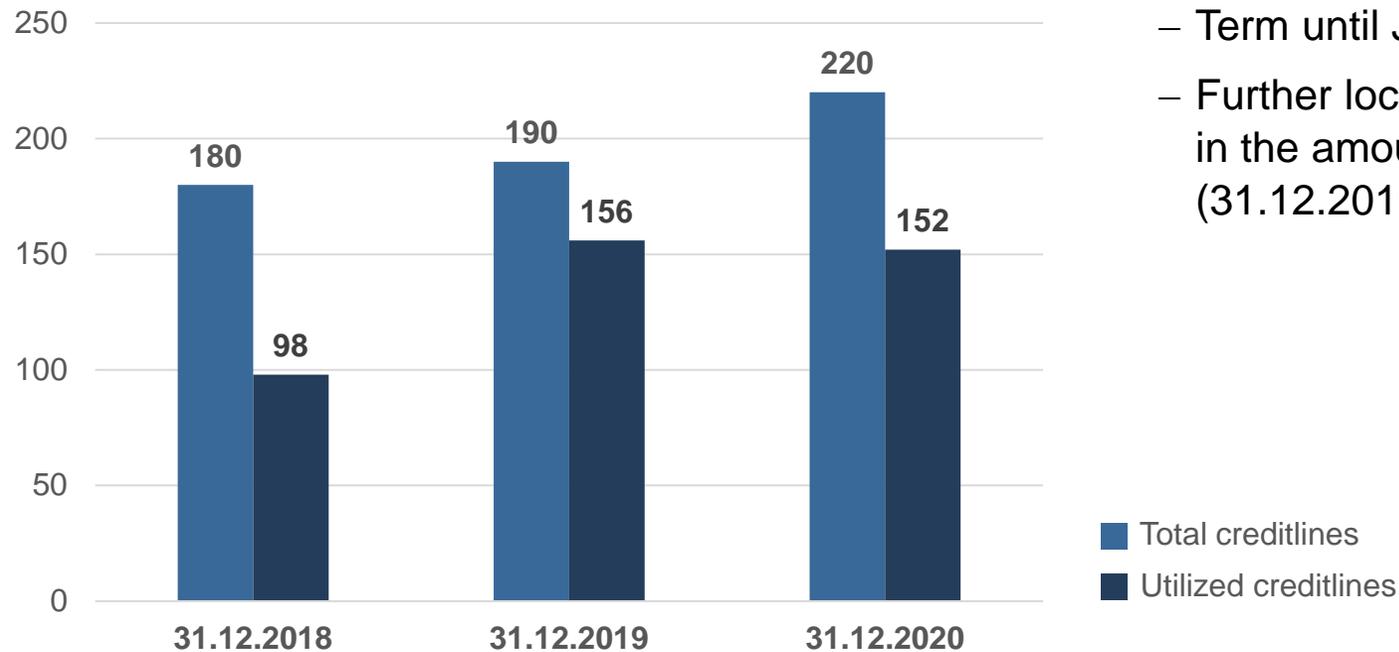
Production and R&D together on individual stories

- Construction time of 2.5 years, budget underrun of almost 5%
- More than 20,000 m<sup>2</sup> spread over seven stories
- First machine produced in April 2020
- Low-tech approach, CO<sub>2</sub>-neutral heating, photovoltaic power plant
- Reduction in number of Swiss locations from three to two



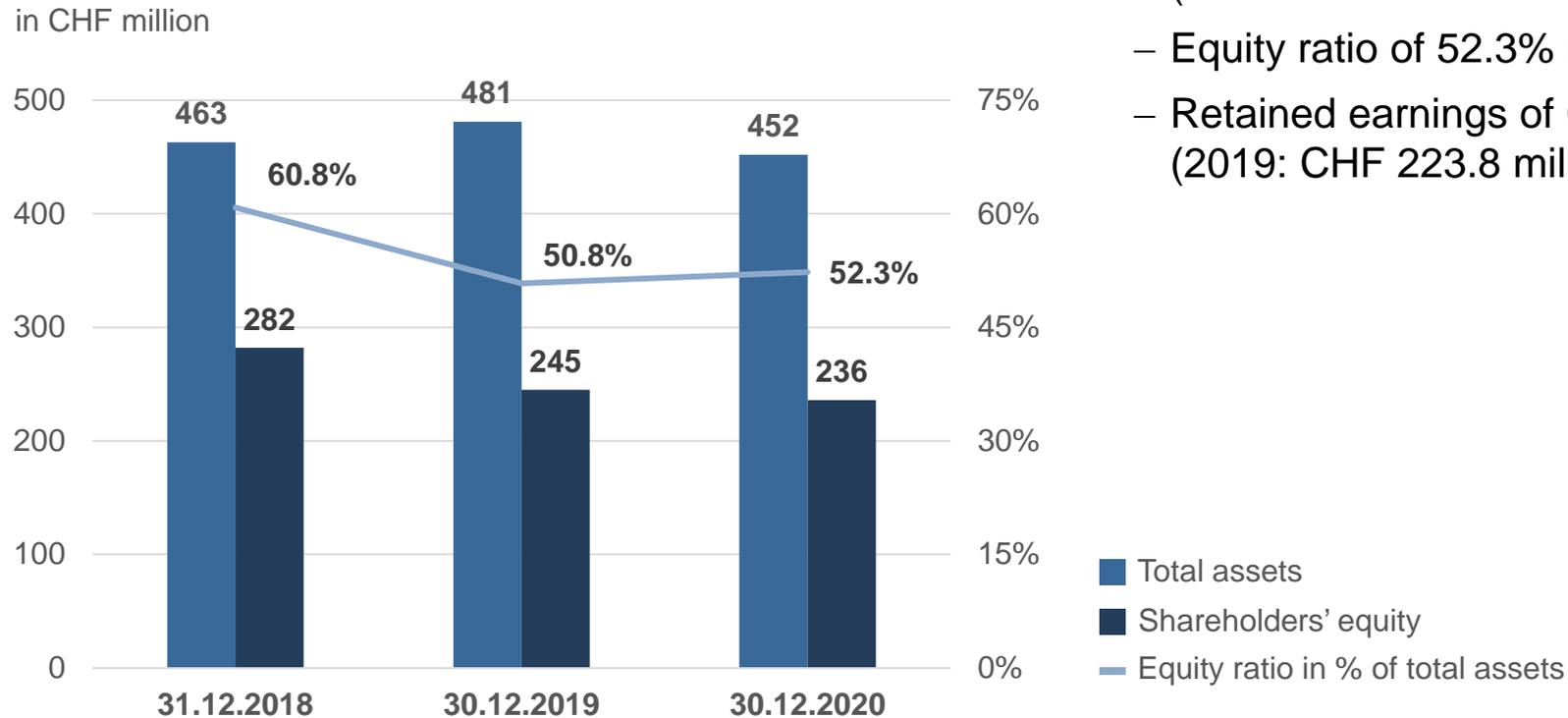
# Credit line provides financial flexibility

in CHF million



- Increase in syndicated loan facility with bank syndicate to CHF 190 million (31.12.2019: CHF 160 million)
- Term until January 2023
- Further local credit lines for subsidiaries in the amount of CHF 30 million (31.12.2019: CHF 30 million)

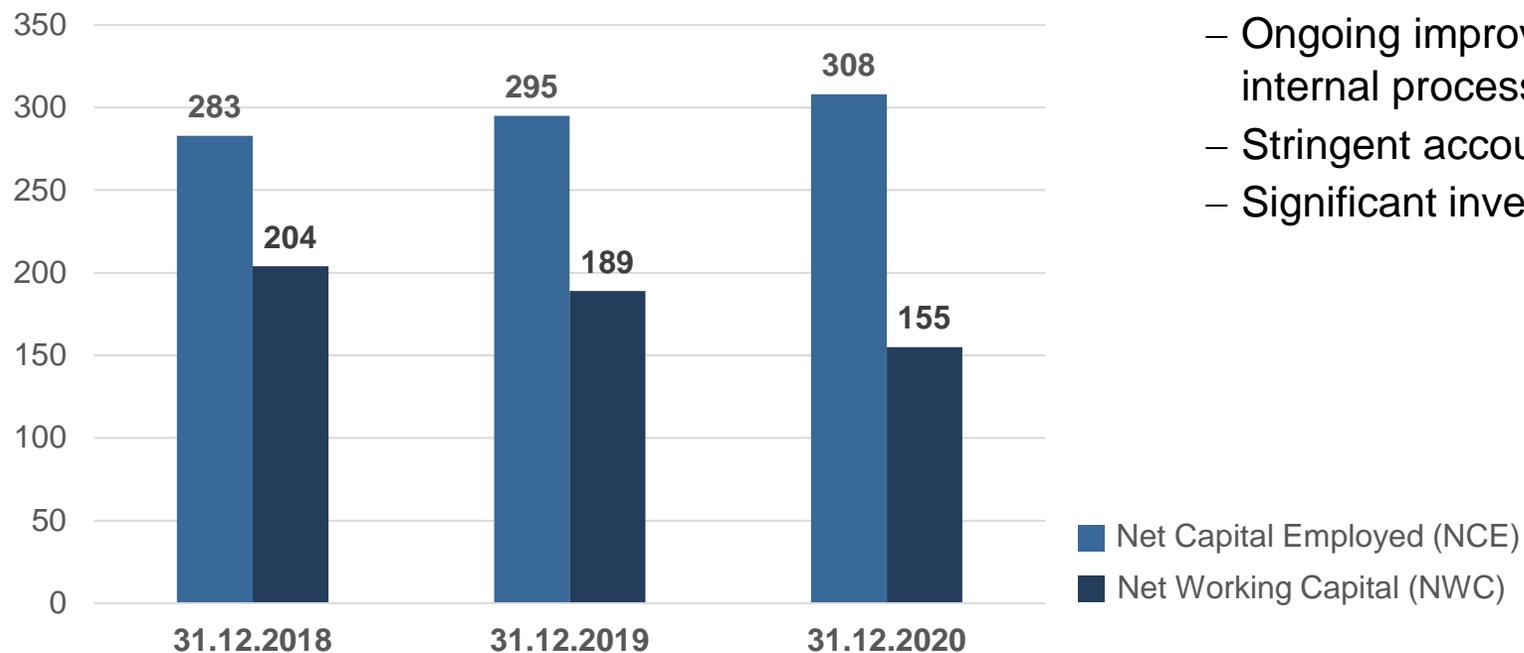
# Solid financial base, reduction of net debt



- Net debt of CHF 92.4 million (2019: CHF 106.2 million)
- Equity ratio of 52.3% (2019: 50.8%)
- Retained earnings of CHF 215.1 million (2019: CHF 223.8 million)

# Successful net working capital management

in CHF million



- RONCE: 3.7% (2019: 8.4%)
- Robust management of net working capital (NWC)
  - Ongoing improvement and acceleration of internal processes
  - Stringent accounts receivable management
  - Significant inventory reduction

# Waiver of distribution

- Strategy: payout ratio of 50–60% of Group earnings after taxes (EAT)
- Owing to negative EAT, no distribution proposed

	2016	2017	2018	2019	2020 <sup>1</sup>
Distribution per share in CHF	6.50	6.50	7.00	0.0	0.0
Dividend yield in % as at 31 Dec.	2.6	2.0	3.0	0.0	0.0

<sup>1</sup> Proposal to the Annual General Meeting



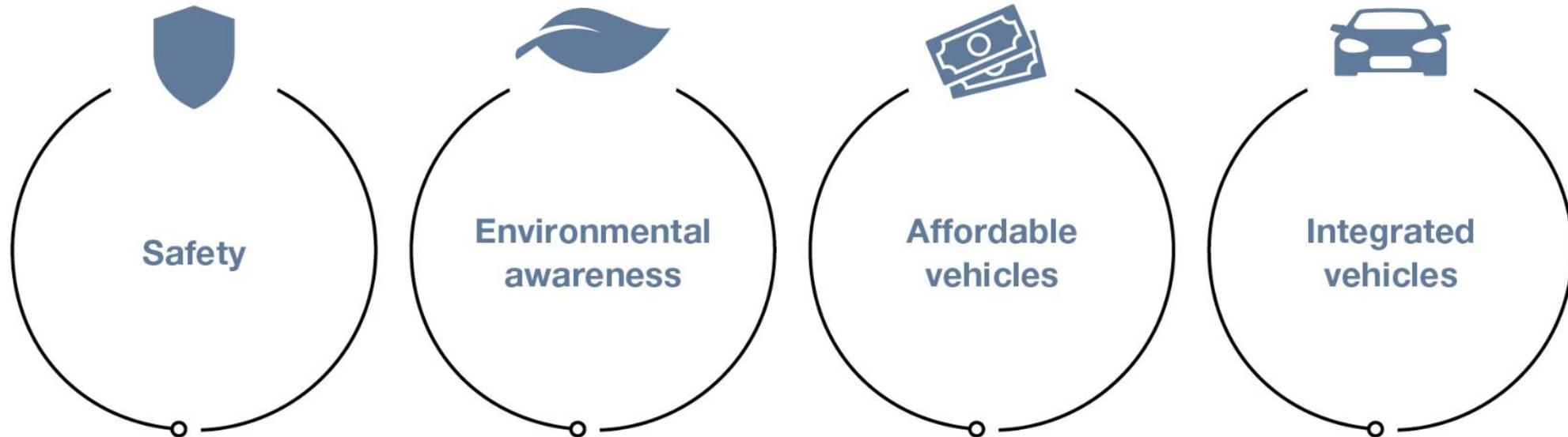
- Share price in 2020: –25.4% (2019: +2.8%)
- Share price 1.1.–12.3.2021: +36.8%
- 6281 shareholders – number has doubled since end-2016 (3150 persons)

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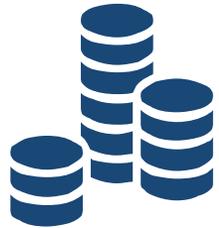
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# Global megatrends drive automation

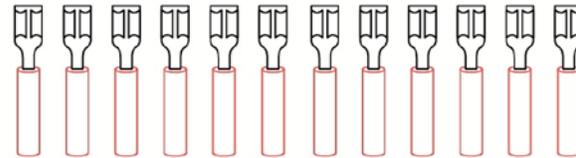
The coronavirus pandemic has changed nothing here



# Numerous reasons for the steady rise in level of automation (CAGR: 2–3%)



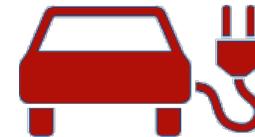
rising wage costs



rising number of wires



autonomous driving



e-mobility



traceability



miniaturization



staff availability

# Current trends present many opportunities

We have plenty of potential for future growth



Smart City



Smart Mobility

# SMART FACTORY by KOMAX

Simpler, more convenient, and safer

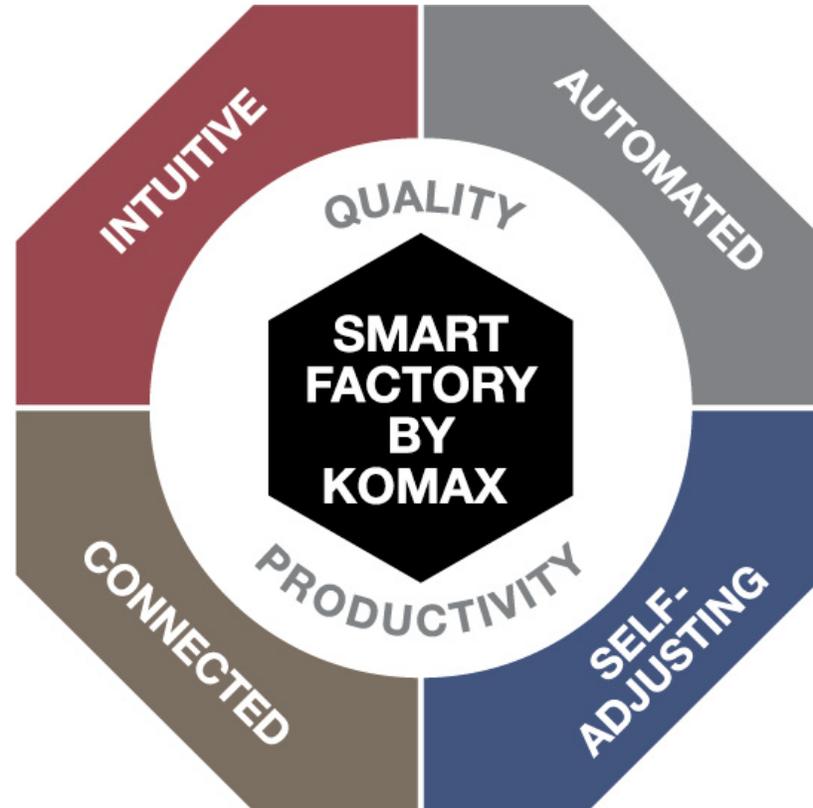
**komax**



**TSK Connect**



**Komax Connect**



**Lambda 416 H-MTD**



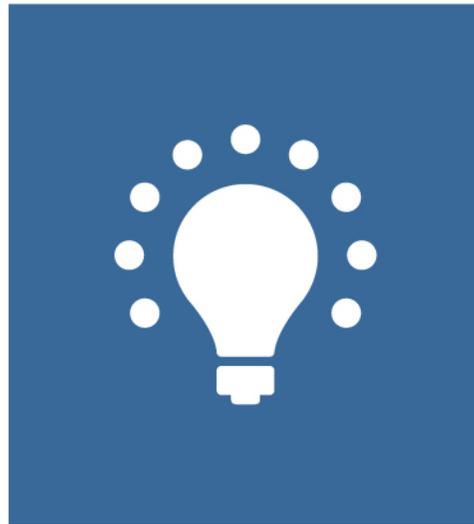
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# Focused strategy

**SOLUTIONS  
ALONG THE  
VALUE CHAIN**



**INNOVATIVE  
PRODUCTION  
CONCEPTS**



**GLOBAL  
CUSTOMER  
PROXIMITY**



**DEVELOP NON  
AUTOMOTIVE  
MARKETS**



# Mid-term targets up to 2023

## REVENUES

CHF

**450–550**

million

- Primarily organic growth
- Increase in number of vehicles produced from 2021 (CAGR: 7%–8%)
- 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

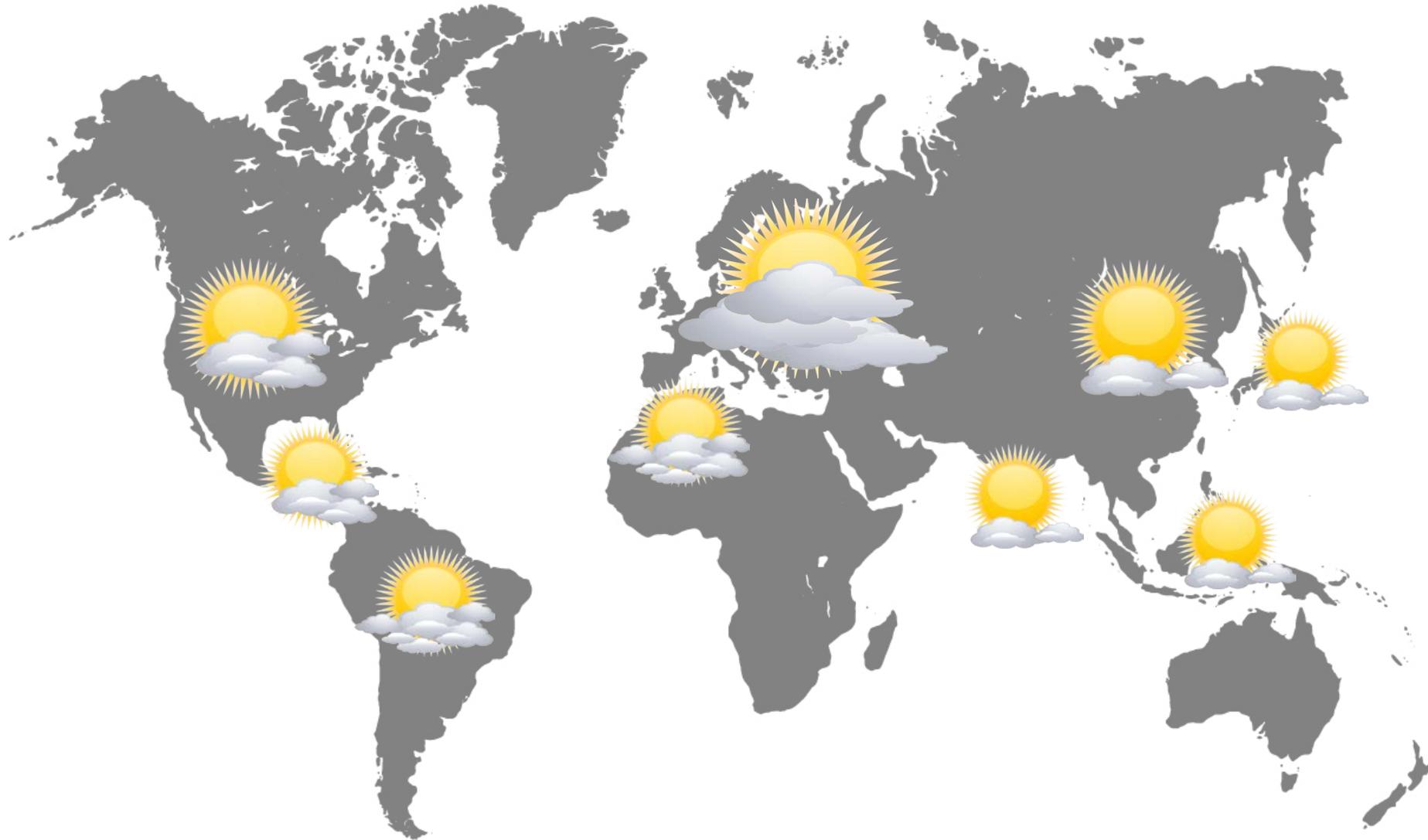
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# Priority areas 2021

- Pushing ahead with innovation projects so as to be ready to showcase diverse innovations at Productronica in Munich in November 2021
- Remaining flexible when it comes to production planning and so be able to adapt to fluctuating customer demand
- Continuing to focus on the cost situation
- Optimizing new processes in response to number of structural changes

# Current market situation

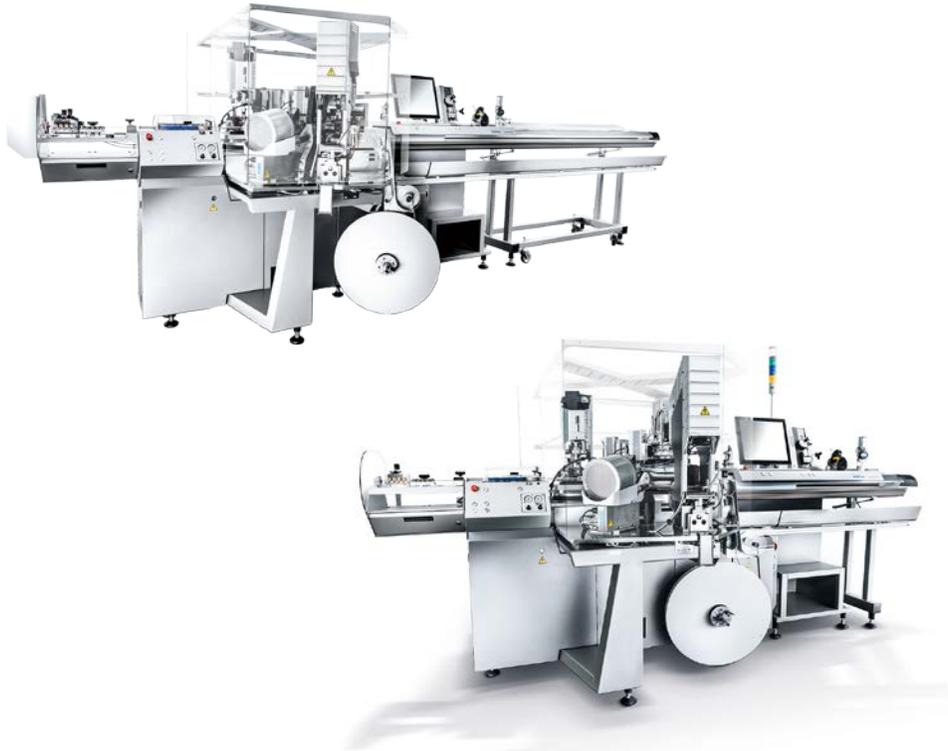


# Demand for new technologies encouraging

## Volume-based business still at a low level

**Volume-based business  
(crimp-to-crimp)**

**New technologies  
(increase of the degree of automation)**

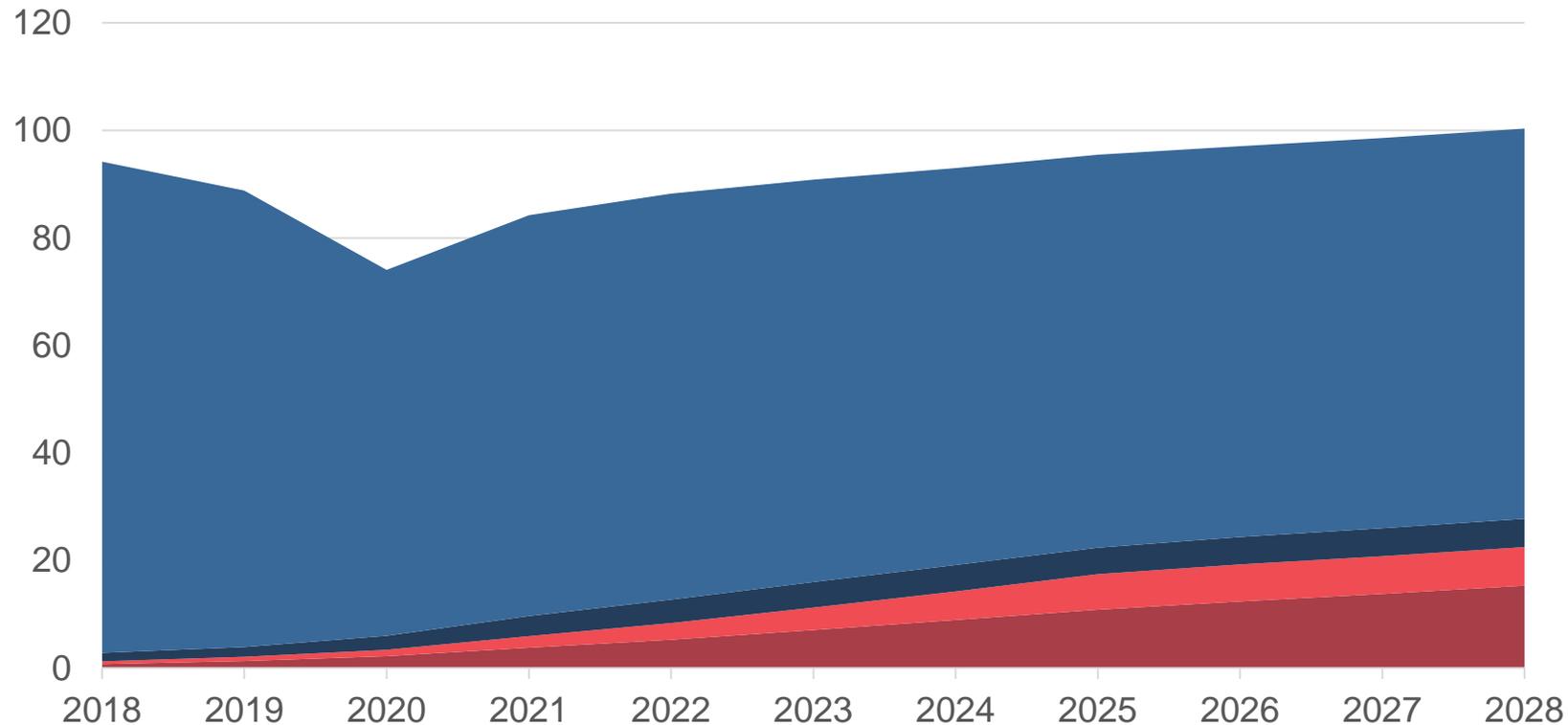


# Accelerated switch to e-mobility

## Competence center at Komax Thonauer in Budakeszi (Hungary)

**komax**

Number of produced cars  
in million



Source: IHS Markit and Komax



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

# Outlook

- The crisis year of 2020 showed that customers continue to target a significant increase in the level of automation in wire processing going forward.
- Trends such as autonomous driving and e-mobility will remain drivers of growth for Komax.
- The current market situation is better than in the year just past, but visibility as regards how business will develop is low.
- Given the vehicle production volumes forecast, Komax's capacity planning is geared to revenues of around 10% lower than in 2019. Depending on how revenues develop, Komax has the necessary flexibility to be able to adapt costs or create capacities at short notice.

# Contact / Financial calendar



## Contact

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## Financial calendar

Annual General Meeting	14 April 2021
Half-year results 2021	17 August 2021
Preliminary information on 2021 financial year	25 January 2022
Annual media and analyst conference on the 2021 financial results	15 March 2022

# 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?

**komax**

