Dierikon, 24 August 2017

Media release

Half-year results of Komax Group

Strengthening of market position: Order intake up by over 22%

In the first half of 2017, the Komax Group continued to expand its market leadership. Order intake rose to CHF 224.4 million, thus exceeding the previous year's gratifying result by 22.2%. Since Komax was not yet able to deliver a large number of the orders it had produced, the consolidated revenues of CHF 194.7 million is almost unchanged from the previous year (–0.8%). Prior-year revenues included CHF 19.2 million in revenues posted by the Medtech business unit, which was sold in April 2016. Profitability was squeezed by the strong growth, newly rolled-out products and the changed product mix. The operating profit (EBIT) came to CHF 25.4 million (–16.5%) and Group profit after taxes (EAT) to CHF 18.6 million (–18.7%).

The Komax Group significantly improved order intake in the first six months of 2017. It amounted to CHF 224.4 million, or 22.2% above the prior-year figure (CHF 183.6 million). Consolidated revenues came in at CHF 194.7 million, which is almost the same as the previous year (CHF 196.4 million). Komax changed its accounting standard from IFRS to Swiss GAAP FER this year. As a result, the prior-year figures contain the results of the former Medtech business unit, which Komax sold after the first quarter of 2016. Excluding the Medtech business unit figures, internal growth in the first six months of 2017 amounted to 8.7%.

Timelag in conversion into revenues
The book-to-bill ratio stands at a high 1.15, as a number of orders already completed by Komax could not yet be delivered and therefore cannot yet be classified under revenues. This is true of both larger systems and of serial production machines manufactured in Switzerland for the fast-growing Asian market.

Operating profit (EBIT) came to CHF 25.4 million (previous year: CHF 30.5 million), while the EBIT margin amounted to 13.1% (previous year: 15.5%). Higher depreciations, the introduction of the new ERP system, and the sharp rise in headcount – the latter being attributable to higher revenues, acquisitions, and investment in market expansion – had an impact on the cost side. Foreign currencies had an impact of –0.9% on revenues and –0.4 percentage points on EBIT. Extraordinary expenses were higher than in the prior year, as Komax made a value adjustment of CHF 1.9 million to the loan granted to an associated company. This duly weighed on Group profit after taxes (EAT), which came in at CHF 18.6 million (previous year: CHF 22.9 million).

Variation in market dynamism
Commenting on the positive market environment, Matijas Meyer, CEO Komax Group, said that the need for automation solutions is continuing to rise and that “our clients are keen to switch manual activities to machines.” In the first six months of 2017, this market dynamism was particularly notable in the Asia-Pacific region and in Europe (incl. Africa), as is evident in significant rises in net sales (excl. Medtech business unit) of +5.5% and +15.8% respectively.

By contrast, net sales fell short of the expectations in North/South America (–5.8%). Here customers have been showing investment restraint for a number of months now. In the first six months of 2017, we discontinued unprofitable activities in the US and reduced headcount accordingly.

Market shares increased
“Following the sale of the Medtech business unit last year, the Komax Group has been focusing exclusively on the Wire business. At the same time, Komax has been striving not just to maintain its leading position in this core business, but to expand it further.” That is how Beat Kälin, Chairman of the Komax Group's Board of Directors, sums up the ambitious goals. The latest half-year figures, which reveal a very high order intake, show that this approach has proved successful and that Komax has managed to grow faster than the overall market.

Strong growth weighs on profitability
The highly successful roll-out of the new Alpha 530/550 machine platform in Komax’s core business (crimp to crimp) was one factor that helped to strengthen the company’s market position. The new machines have replaced the existing products – which were optimized during the manufacturing process for years – more rapidly than expected. A combination of this replacement process, the greater change in the product mix compared to the previous year and the fierce competitive environment have weighed on profitability. “We are determined to improve productivity as rapidly as possible and thereby continuously increase our profitability”, says CEO Matijas Meyer. “In addition, we are continuing to channel above-average investment into research and development, as well as into the strengthening of our market organization, in order that we can remain the market and technology leader in the future thanks to new solutions.” In the first half of 2017, Komax invested CHF 16.7 million in research and development. That was 30% more than in the same period of 2016.

Financial base remains very robust
The Komax Group continues to have a very strong financial base, as is clear from the shareholders’ equity figure of CHF 239.3 million as per 30 June 2017 (31 December 2016: CHF 246.2 million) and the equity ratio of 63.3%. Free cash flow amounted to CHF –0.2 million (previous year: CHF –0.5 million), while net debt stood at CHF 2.2 million (31 December 2016: net cash of CHF 17.0 million).

This financial basis allows Komax to continue developing the company in accordance with its selected strategy. Thanks to the asset deal concluded with Practical Solution in March 2017, Komax has expanded its presence in Asia in a targeted way. And with the acquisition of the French company Laselec SA, which was announced in June 2017 and is scheduled for completion in the second half of the year, Komax is strengthening its future presence in the aerospace segment.

Investments in the future
To secure future growth, Komax is investing in infrastructure at various locations. The biggest construction project is located at the Dierikon head office: here Komax is investing over CHF 70 million in a new production and office building that is scheduled for occupation in the second half of 2019. With over 20,000 m^2 of floor space, the new-build will enable the three existing Central Swiss sites to be amalgamated in Dierikon.

By the end of 2018 the two new buildings in Germany – those of Komax SLE in Grafenau and Kabatec in Burghaun – should be ready for occupation. The extension at Komax SLE in Grafenau will result in a significant expansion of production and office space, and will thus be able to accommodate the expected growth in the special machinery field. Since the demand for taping and assembly technology is also growing steadily, the planned Kabatec new-build is a further promising investment. Komax will merge the two companies in the field of taping technology – Kabatec and Ondal Tape Processing – under the name Kabatec this year. So next year, all the employees will be able to move to the new location together.

Outlook
The Komax Group remains very well positioned, and is determined to expand its leading market position further in the future, despite the highly competitive environment. This is in keeping with its 2017–2021 strategic targets. On the basis of our strong order backlog and the unrelenting dynamism of the automotive industry, we expect to surpass this latest half-year result in the second half of 2017 from today's perspective.

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The 2017 half-year results can be found at www.komaxgroup.com.

Financial calendar	
First information on the year 2017	23 January 2018
Annual media and analyst conference on the 2017 financial results	20 March 2018
Annual General Meeting	19 April 2018
Half-year results 2018	21 August 2018

Komax is a globally active technology group that focuses on markets in the automation sector. As a leading manufacturer of innovative and high-quality solutions for the wire processing industry, the Komax Group helps its customers implement economical and safe manufacturing processes, especially in the automotive supply sector. The Komax Group employs around 1700 people worldwide and provides sales and service support via subsidiaries and independent agents in around 60 countries.

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Key figures of the Komax Group

in TCHF	First half 2017	First half 2016[1]	+/– in %
Order intake	224,431	183,625	22.2
Revenues[2]	194,711	196,359	–0.8
EBITD	30,671	34,842	–12.0
in % of revenues	15.8	17.7	
Operating profit (EBIT)	25,444	30,467	–16.5
in % of revenues	13.1	15.5	
Group profit after taxes (EAT)	18,638	22,921	–18.7
in % of revenues	9.6	11.7	
Free cash flow	–201	–545	–63.1
Research and development	16,728	12,868	30.0
in % of revenues	8.6	6.6	

	30.06.2017	31.12.2016[1]	+/– in %
Total assets	378,209	357,060	5.9
Shareholders' equity[3]	239,346	246,174	–2.8
as % of total assets	63.3	68.9	
Net debt (–) / Net cash (+)	–2,246	17,008	–113.2
Headcount	1,709	1,633	4.7

[1] Since the start of 2017, the consolidated financial statements have been drawn up in accordance with Swiss GAAP FER. The previous year's figures have been revised accordingly.
[2] Revenues: Net sales + other operating income.
[3] Equity attributable to shareholders' of Komax Holding AG.