

RESULTS 2017 AND OUTLOOK 2018

komax

20 March 2018

2017 in brief

Expansion of market and technology leadership

- **Increased market shares**
- **High level of investment in research and development**
 - Multiple product launches
 - Successful market penetration of Alpha 530/550 machine platform in core business (crimp to crimp)
 - New development site in Asia thanks to acquisition of Practical Solution
- **Breakthrough in aerospace market segment**
 - First major order
 - Acquisition of Laselec
- **Investment in capacity expansion**
 - Opening of Komax Mexico and start of operations
 - Foundation of Komax Bulgaria
 - Construction projects in Switzerland, Germany and Hungary
- **Investment in digitalization**
 - Introduction of new ERP system in Switzerland and Singapore

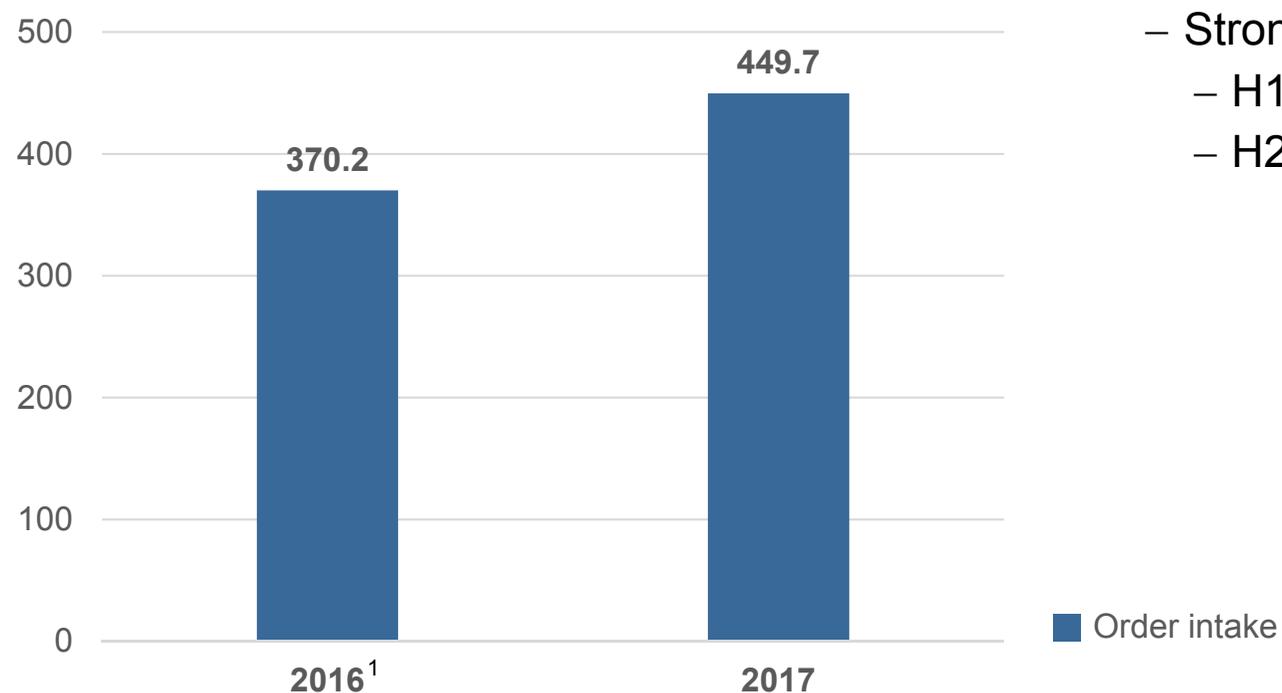
Agenda



- **2017 financial year – operational and financial performance**
- 2017–2021 strategy – Focus on core market (wire)
- Focus and outlook 2018
- Questions

Order intake up 21.5%

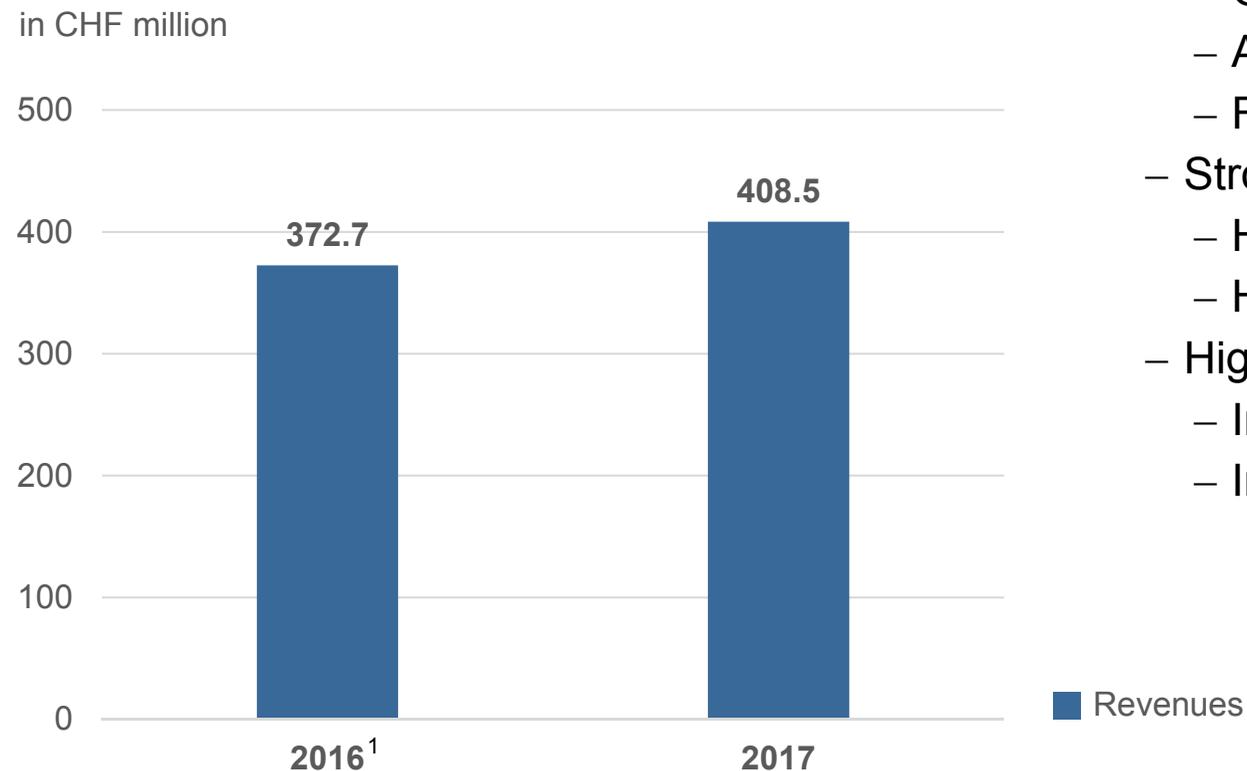
in CHF million



- Increased market shares
- Successful product launches along the entire value chain
- Strong order intake throughout the entire year
 - H1 2017: CHF 224.4 million
 - H2 2017: CHF 225.3 million

¹ Since the start of 2017, the consolidated financial statements have been drawn up in accordance with Swiss GAAP FER. The prior-year figures have been revised accordingly. The CHF 9.3 million in order intake from the Medtech business unit, which was sold in April 2016, are not included.

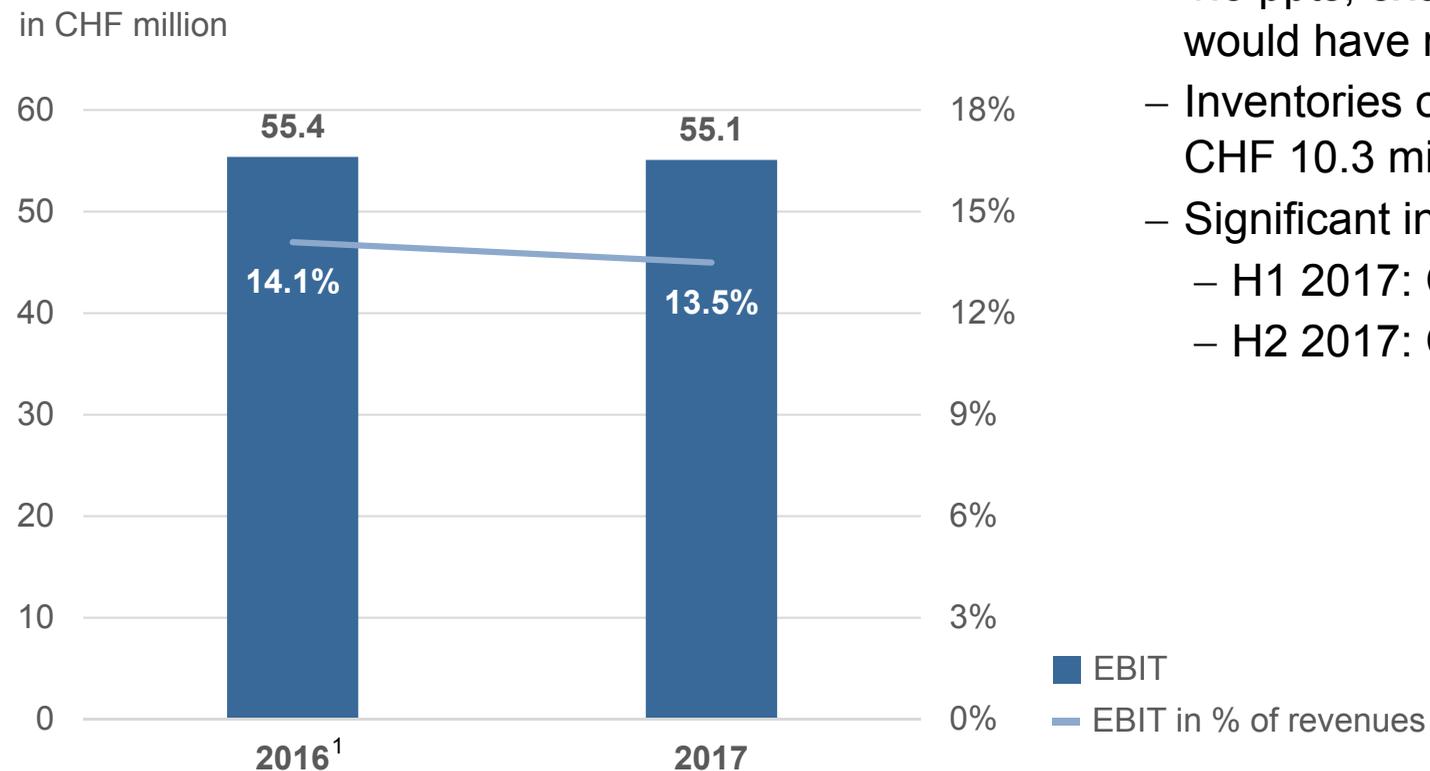
Revenue growth of 9.6%



- Breakdown of revenue growth
 - Organic growth: +6.0%
 - Acquisition-related growth: +2.2%
 - Foreign currency impact: +1.4%
- Stronger growth in 2nd half of the year
 - H1 2017: CHF 194.7 million
 - H2 2017: CHF 213.8 million
- High book-to-bill ratio: 1.10 (2016: 0.99)
 - Increase in finished and semi-finished products
 - Increase in customer-specific systems

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EBIT on a par with prior year



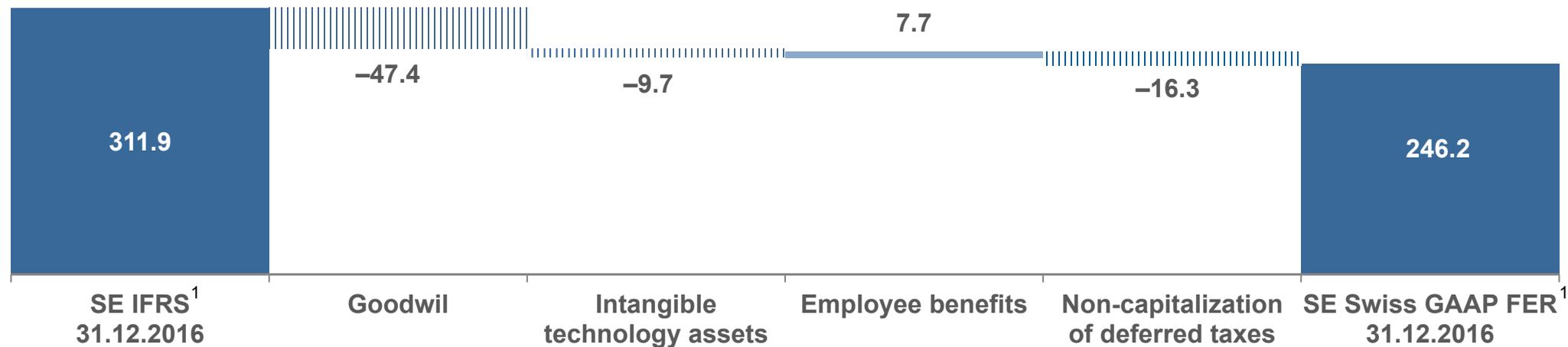
- High R&D expenditure reduced the EBIT margin by 1.8 pts; excluding R&D spending, EBIT margin would have risen to 15.3%
- Inventories of finished and semi-finished products CHF 10.3 million higher than in 2016
- Significant increase in EBIT in 2nd half of year
 - H1 2017: CHF 25.4 million (EBIT margin: 13.1%)
 - H2 2017: CHF 29.7 million (EBIT margin: 13.9%)

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Changeover from IFRS to Swiss GAAP FER

- Changeover completed as at 1 January 2017
- Prior-year figures restated
- Predominantly affected shareholders' equity, valuation of goodwill, deferred tax assets and employee benefits (IAS 19)
- Streamlining financial report

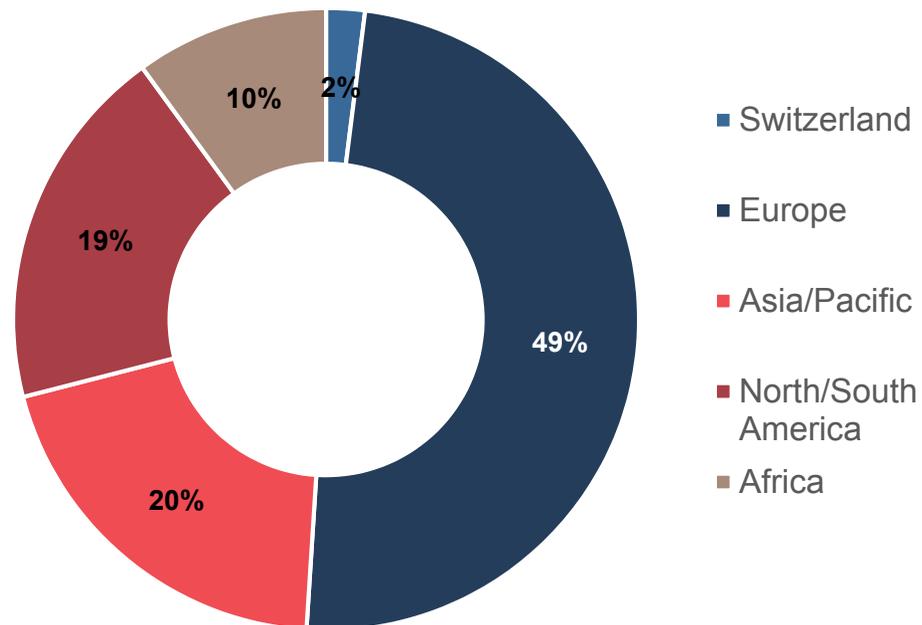
Change in shareholders' equity
in CHF million



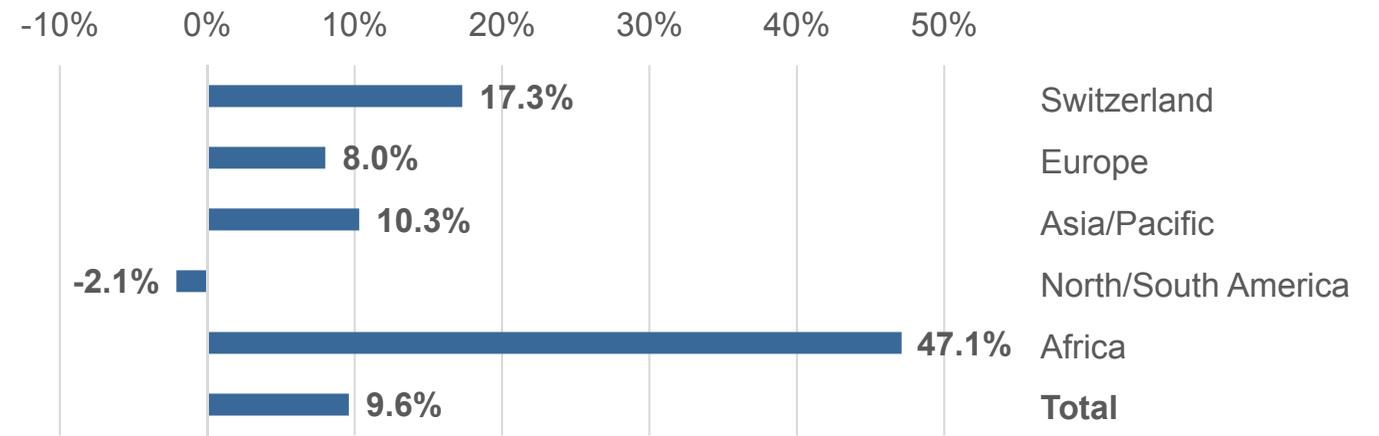
¹ SE = Shareholders' equity.

Strong growth in Europe, Asia and Africa

Revenues by region

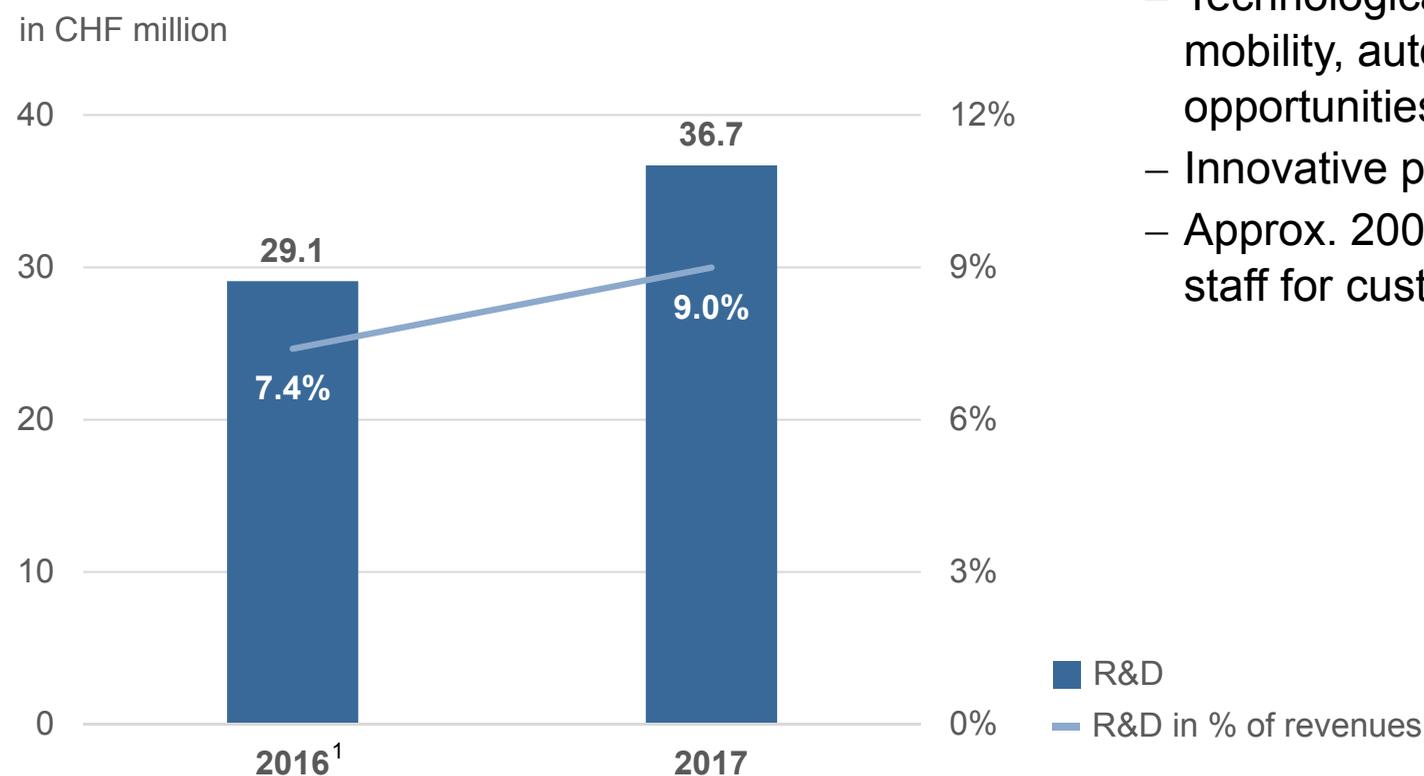


Change from previous year



- Higher revenues in Asia/Pacific than in North/South America
- Substantial recovery in North/South America in H2 (H1 2017: -5.8%)
- Challenging resource situation in Eastern Europe ⇒ some relocation to North Africa

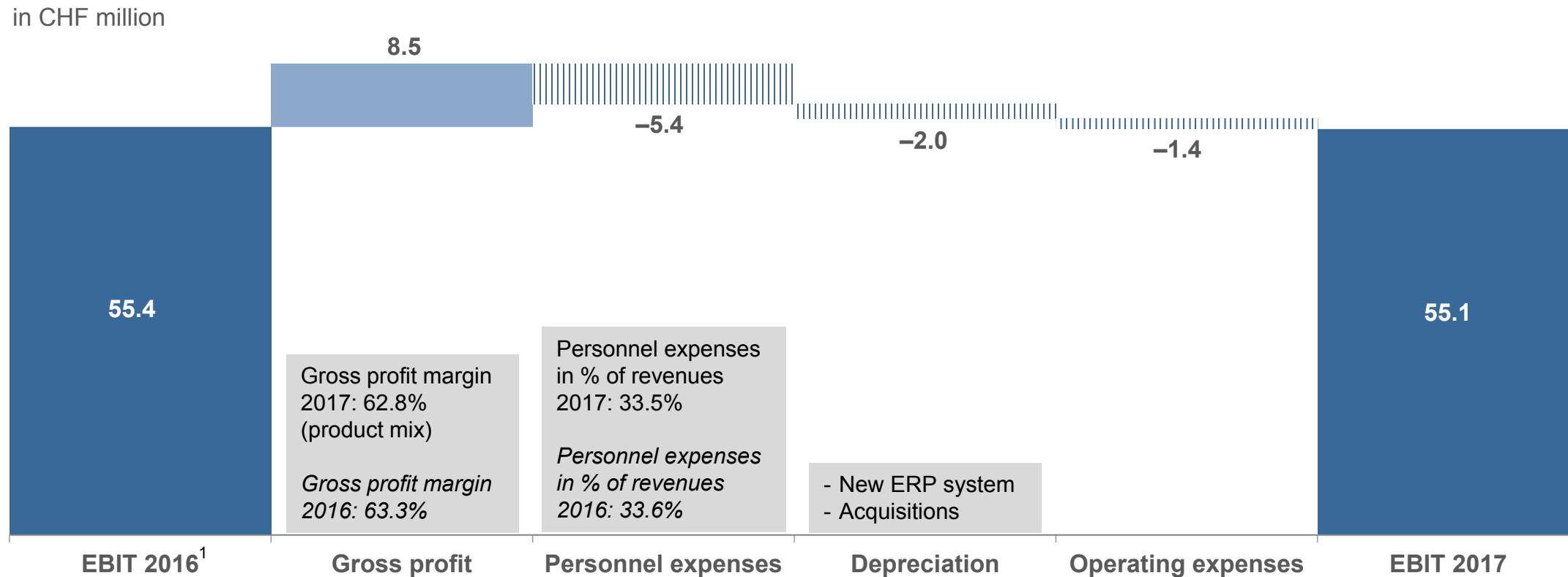
Investment in reinforcing innovative capacity



- Annual R&D spending at 8%–9% from 2017
- Technological shift in automotive industry (electromobility, autonomous driving, etc.) creating opportunities for further unique selling propositions
- Innovative power = basis of sustainable success
- Approx. 200 R&D staff; plus around 170 engineering staff for customer-specific solutions

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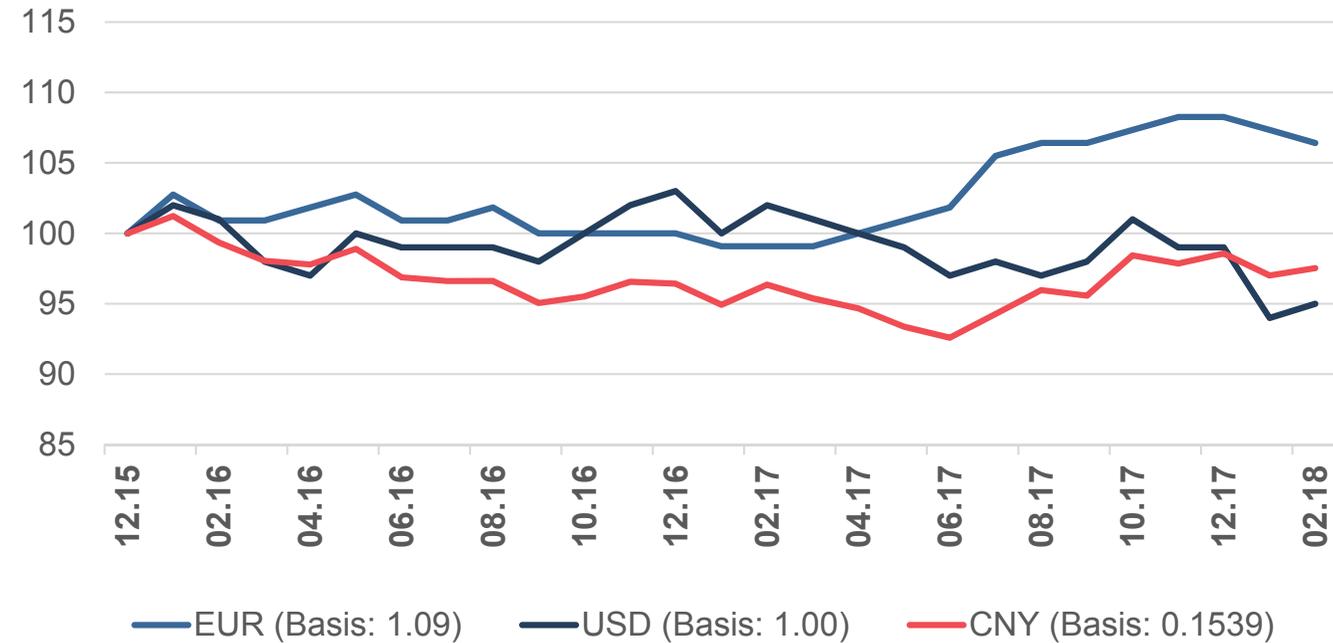
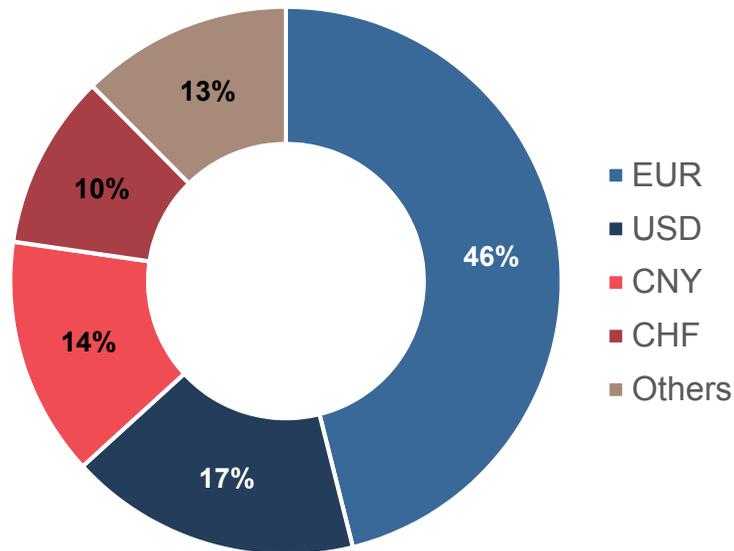
Sharp increase in proactive investment shaping EBIT development



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Positive currency effect

Revenues by currency

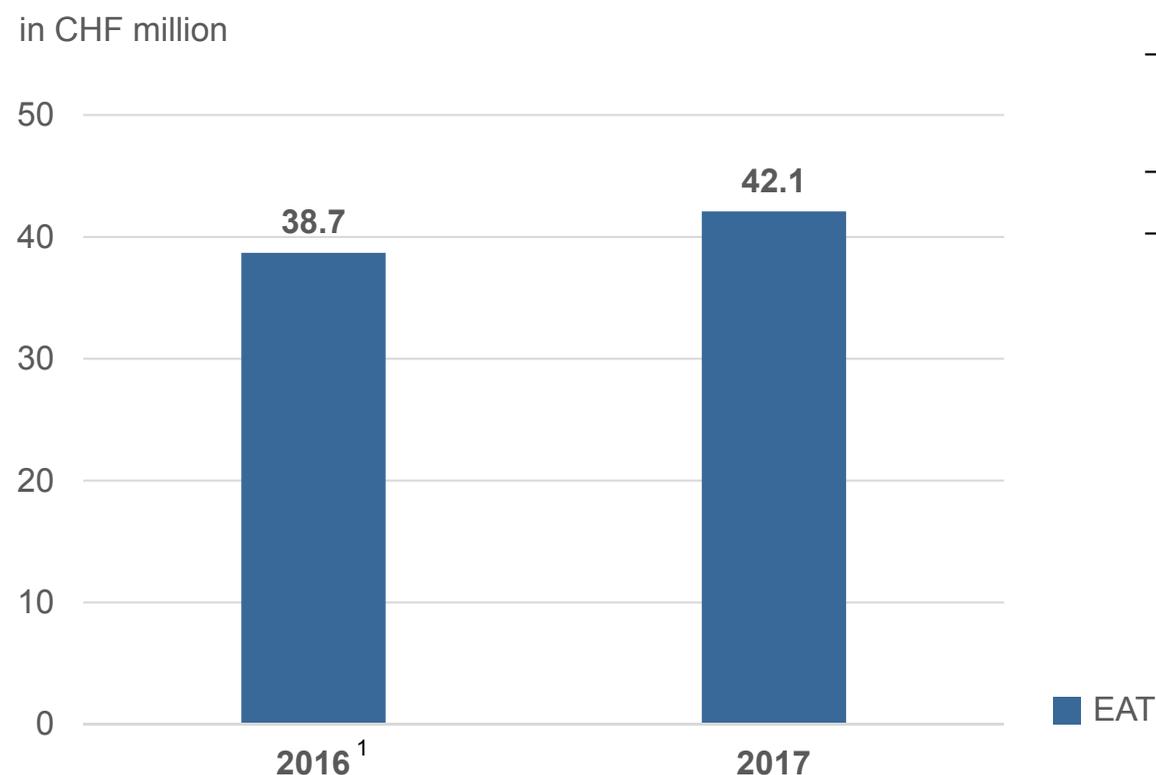


- Biggest changes in revenues by currency
CHF –5.6 pts, EUR +3.4 pts, CNY +2.6 pts
- Foreign currency impact
revenues: +1.4%, gross profit margin: +1.2 pts, EBIT margin: +1.0 ppt

Extraordinary result

- Value adjustment on a loan to an associated company of CHF 3.6 million
- Line drawn under Komax Solar era
- 2014 management buyout
 - Reduction of Komax Solar's high net working capital (CHF 12.3 million as at 30.06.2014)
 - Komax granted loan and received stake of 25%
- Associated company with positive results in 2015 and 2016, interest paid on loan
- Negative result in 2017, loan terminated, liquidation proceedings started
- Value adjustment on loan substantially smaller than the loss of net working capital that looked likely in 2014

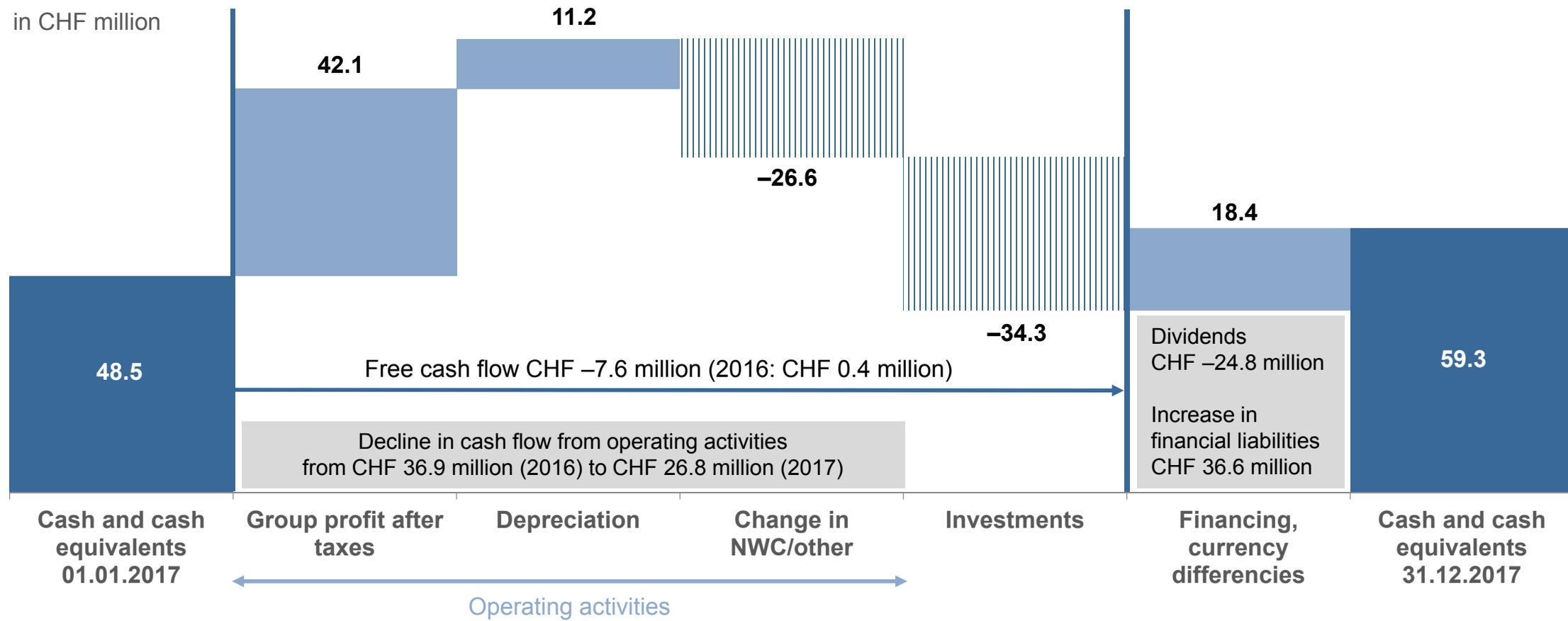
8.8% increase in Group profit after taxes (EAT)



- Result reduced by CHF 3.6 million due to value adjustment on a loan to an associated company
- Improvement in financial result by CHF 1.3 million to CHF –0.8 million
- Tax rate as % of EBT: 16.7%
- Tax rate expected over medium term: just under 20%

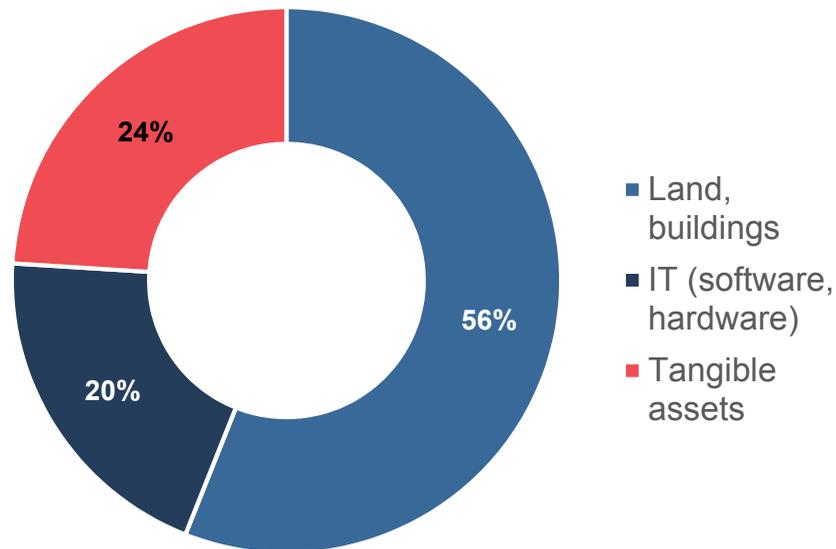
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High level of investment activity impacting free cash flow



Investment volume remains high

Net investment
(excl. acquisition and sale of companies)



- Net investment (excl. acquisition and sale of companies): CHF 21.3 million (2016: CHF 21.4 million)
 - Tangible assets (CHF 18.5 million)
 - Intangible assets (CHF 3.5 million)
 - Decrease in granted loans (CHF –0.7 million)
- Investment sum in 2017 for acquisitions: CHF 17.2 million (2016: CHF 38.7 million)

Investment in capacity expansion

Construction projects in Switzerland, Germany and Hungary



Komax, Dierikon (CH)



Komax SLE, Grafenau (DE)



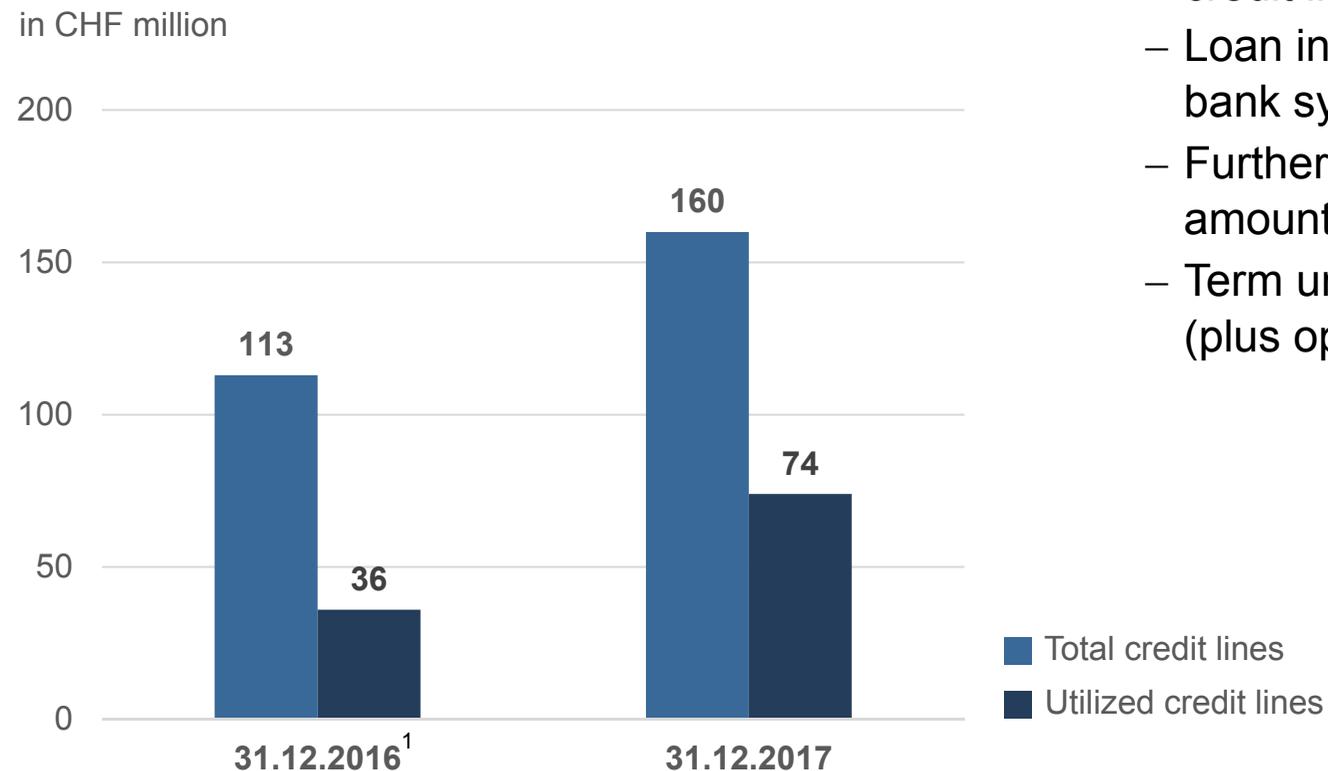
Kabatec, Burghaun (DE)



Komax Thonauer, Budakeszi (HU)

- Sharp jump in CAPEX due to high investment volumes for capacity expansion
- CAPEX
 - 2018: approx. CHF 65 million
 - 2019: approx. CHF 35 million
 - 2020–2022: around 4% of revenues annually

Increased credit limit for syndicated loan

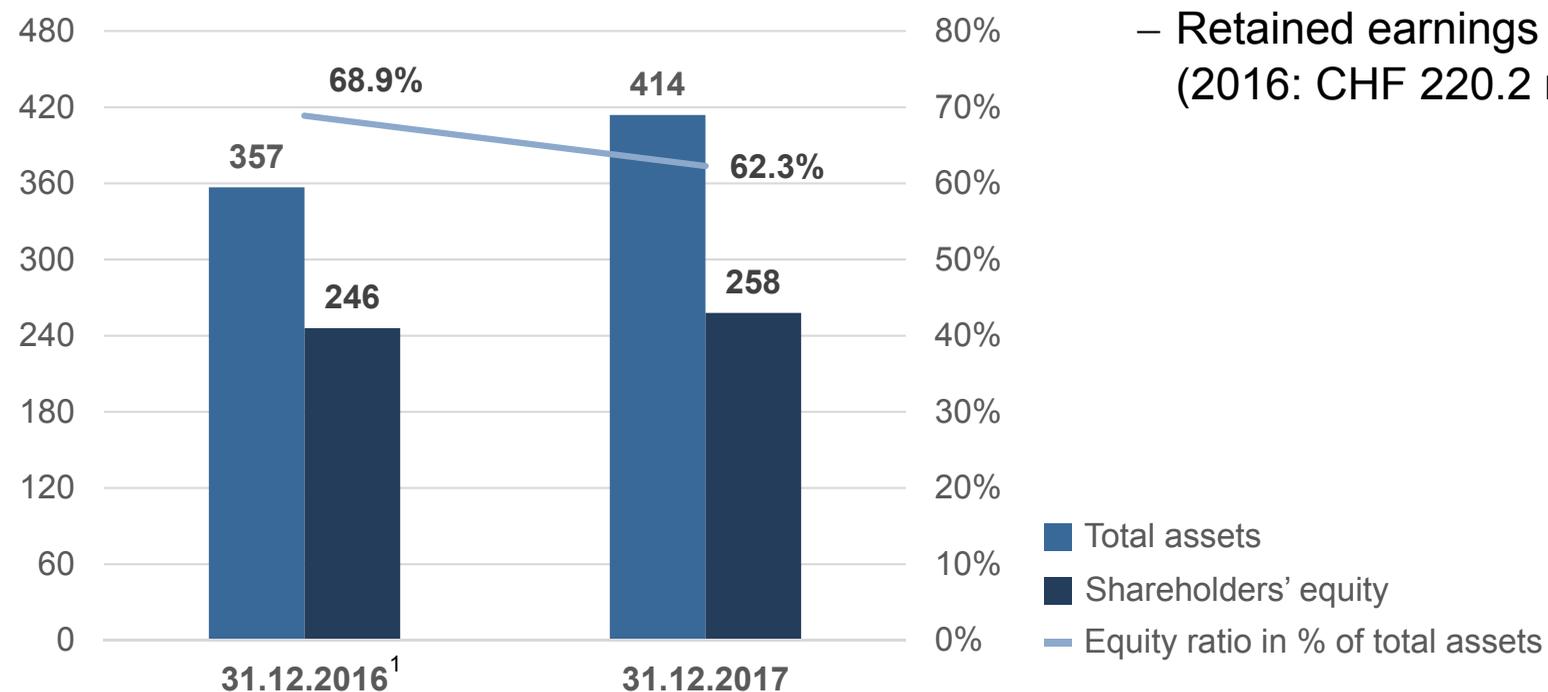


- High level of investment secured by increase in credit limit for syndicated loan facility
- Loan in the amount of CHF 140 million through a bank syndicate (2016: CHF 100 million)
- Further local credit lines with subsidiaries in the amount of CHF 20 million
- Term until January 2022 (plus option for extension until January 2023)

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Strong financial base

in CHF million

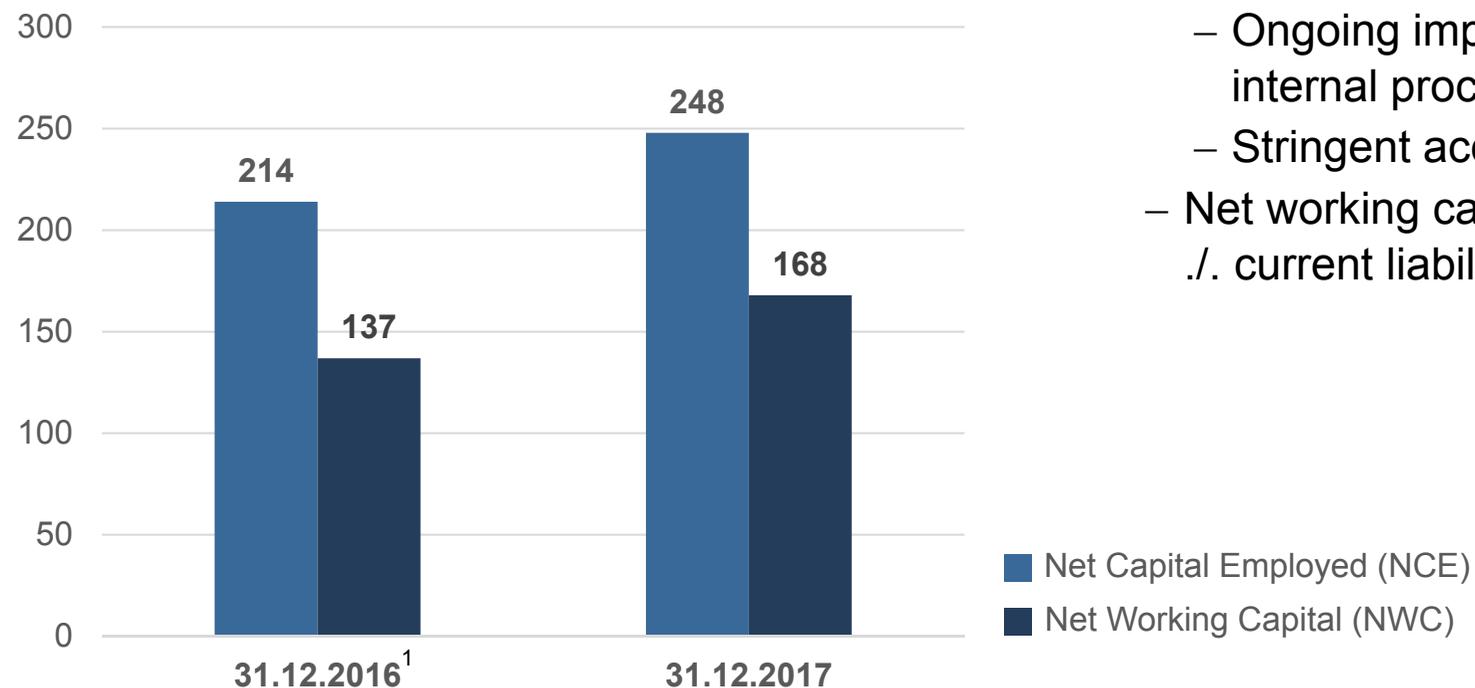


- Continued high equity ratio
- Net debt of CHF 10.5 million (2016: Net cash of CHF 17.0 million)
- Retained earnings of CHF 233.2 million (2016: CHF 220.2 million)

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RONCE dips slightly, at high level

in CHF million



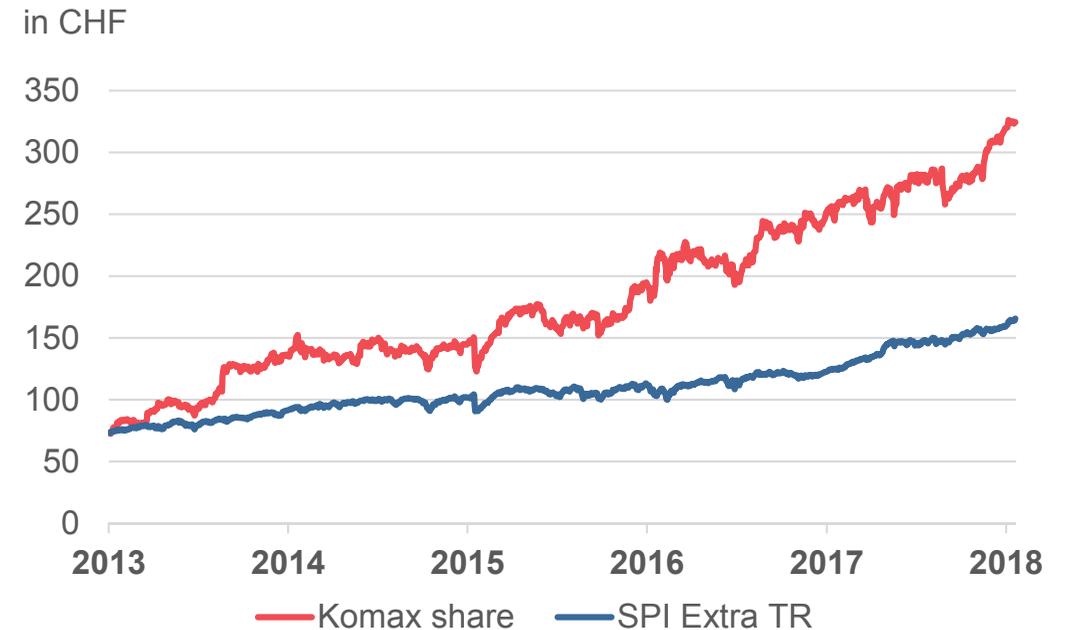
- RONCE: 23.8% (2016: 26.6%)
- Strategic target 2017–2021: RONCE average 25%
- Robust management of net working capital (NWC)
 - Ongoing improvement and acceleration of internal processes
 - Stringent accounts receivable management
- Net working capital: receivables + inventory
./. current liabilities

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High payout ratio

- Payout of CHF 6.50 per share proposed
 - Of which CHF 5.00 as dividend and CHF 1.50 as distribution from capital contribution reserves
- Payout ratio 59.2%
(strategic bandwidth: 50%–60%)

	2013	2014	2015	2016	2017
Distribution per share in CHF	4.50	5.00	6.00	6.50	6.50
Dividend yield in % as at 31 Dec.	3.3	3.5	3.1	2.6	2.0



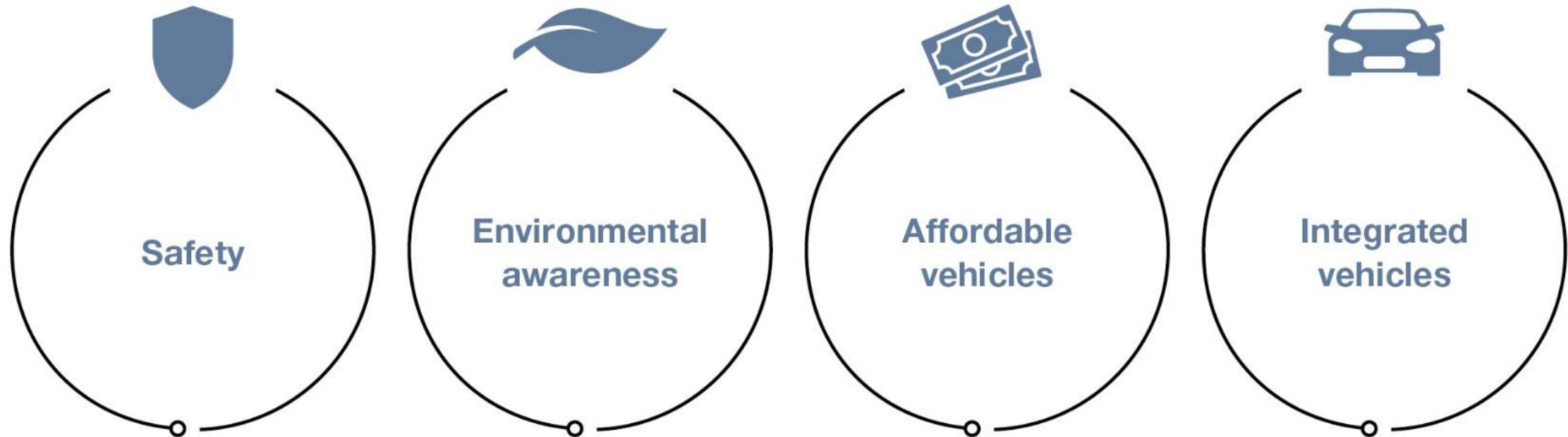
- Share price in 2017: +27.2% (2016: +28.9%)
- Strong expansion of shareholder base
 - 31.12.2017: 5048 shareholders
 - 31.12.2016: 3150 shareholders

Agenda

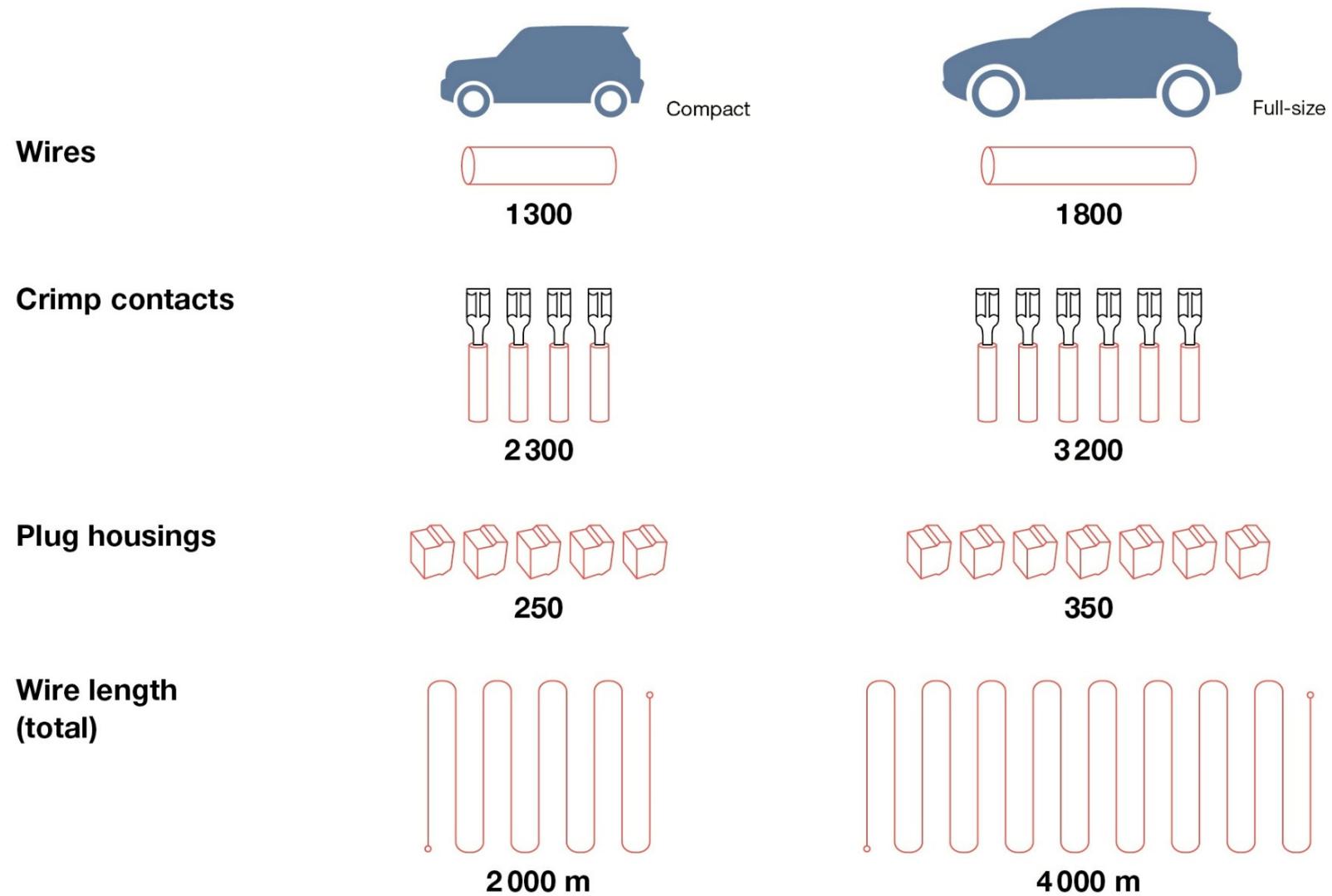


- 2017 financial year – operational and financial performance
- **2017–2021 strategy – Focus on core market (wire)**
- Focus and outlook 2018
- Questions

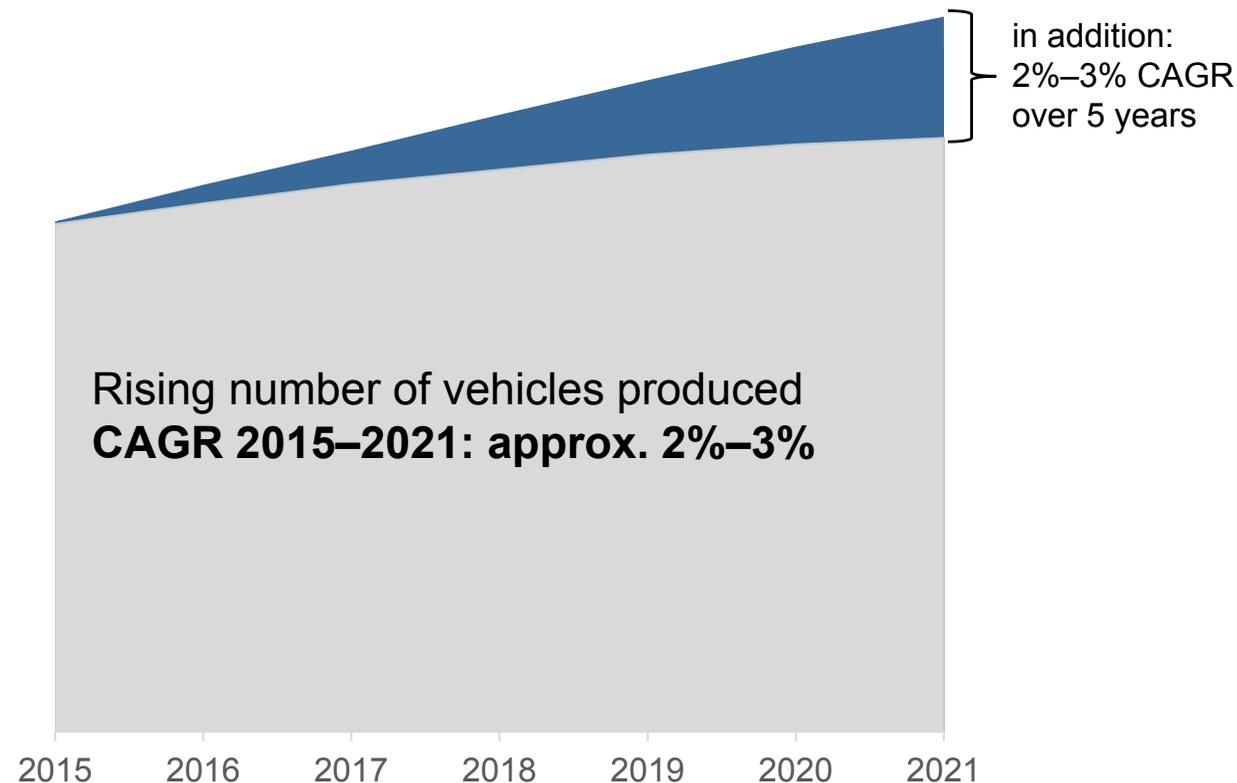
Global Megatrends



Increasing electrification



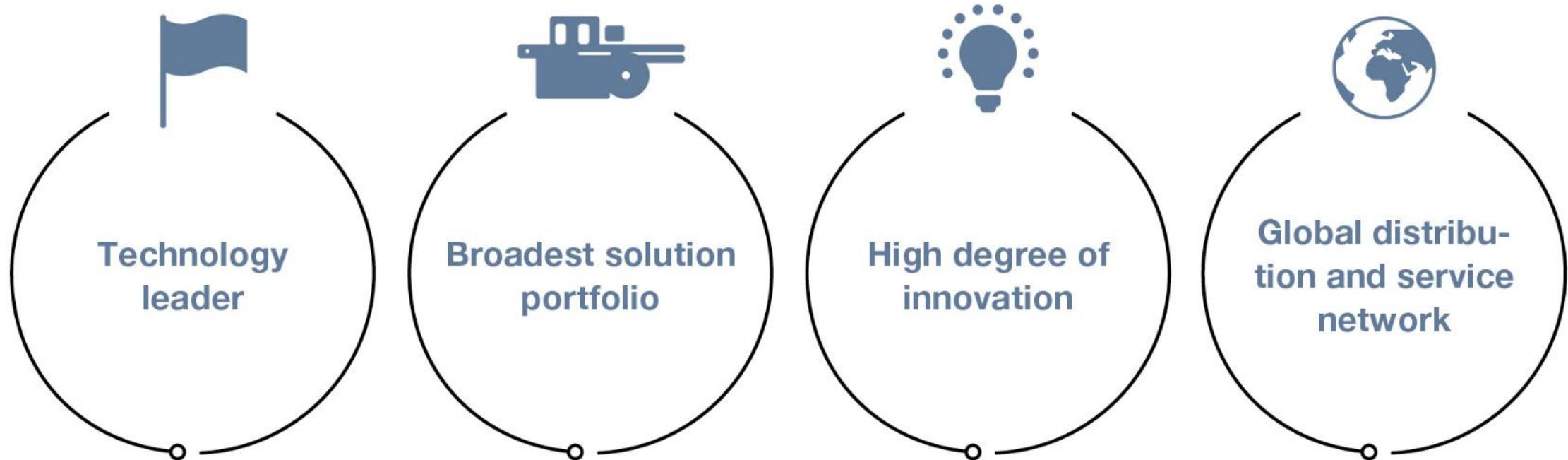
Constant rise in pressure to automate



Source: IHS Markit, Komax Market Research

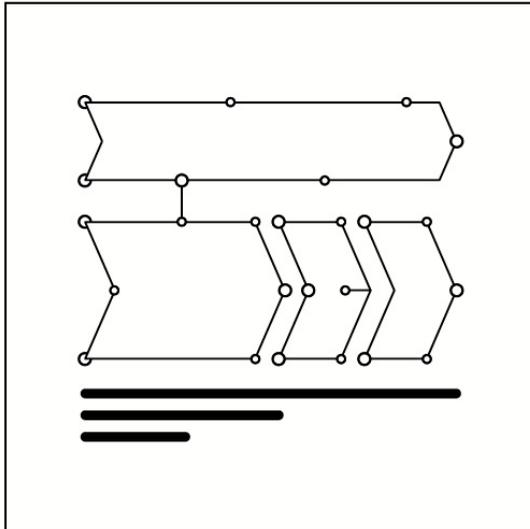
- Annual market growth of approx. 4%–6%
- Growth drivers
 - Increasing vehicle production (approx. 2%–3%)
 - Pressure to automate (approx. 2%–3%)
 - Rising number of wires in vehicles
 - Complexity of vehicle power supply systems
 - Miniaturization
 - Quality and efficiency requirements
 - New types of wires and materials

Advantages of Komax

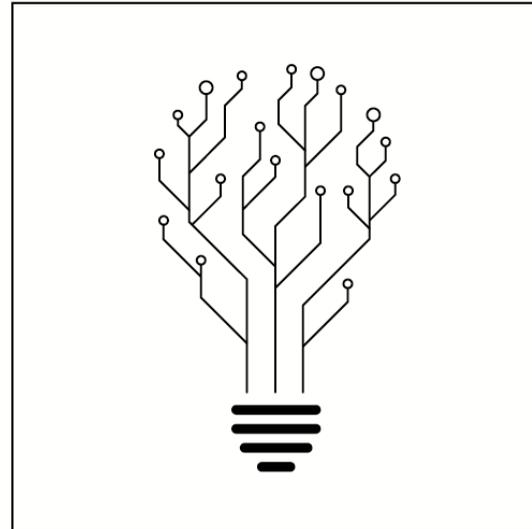


Strategic priorities

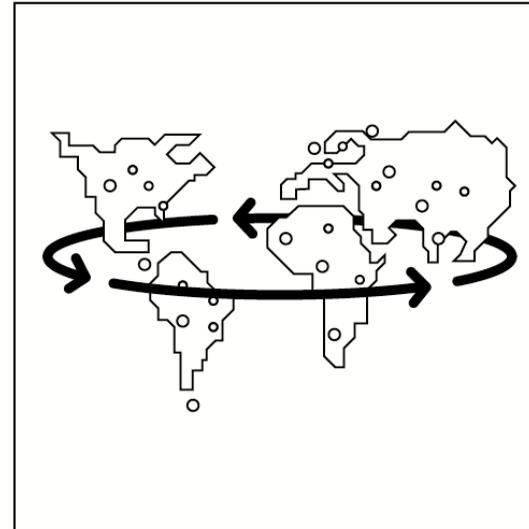
Solutions along the value chain



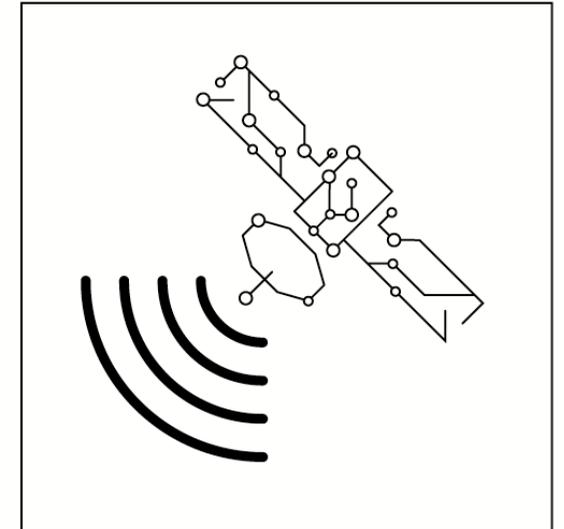
Solutions along the value chain



Innovative production concepts

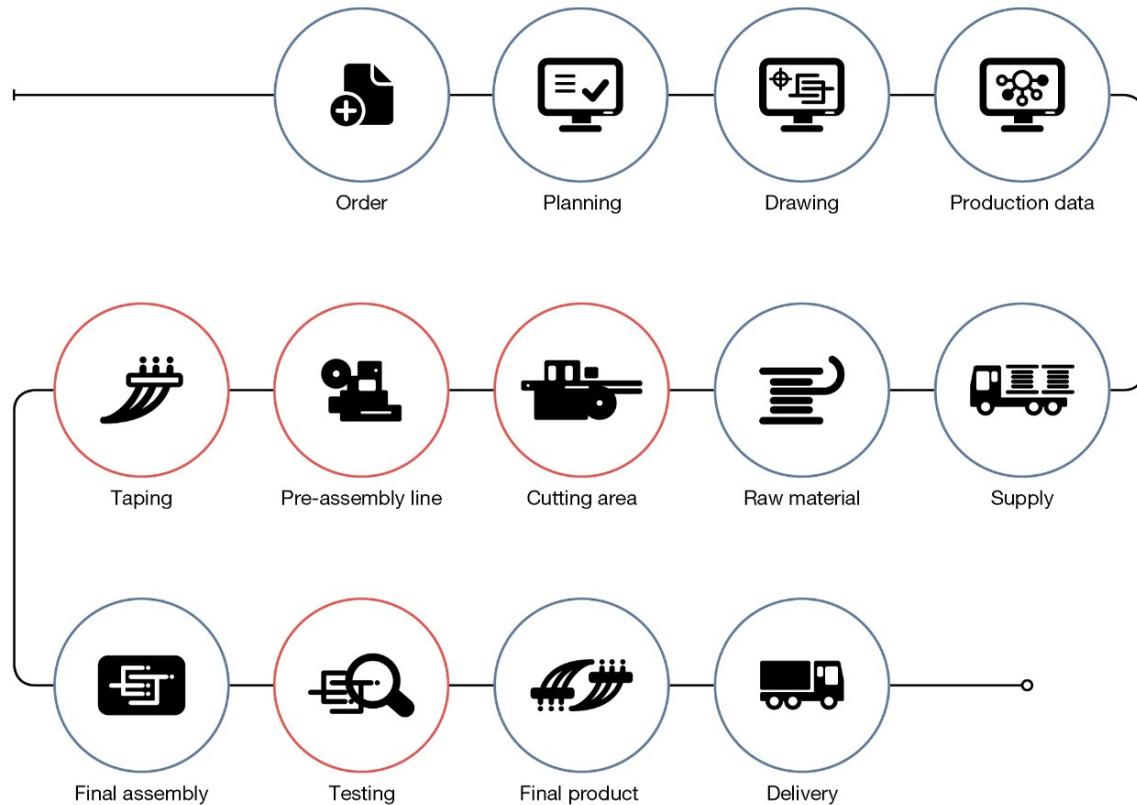


Increase in global reach

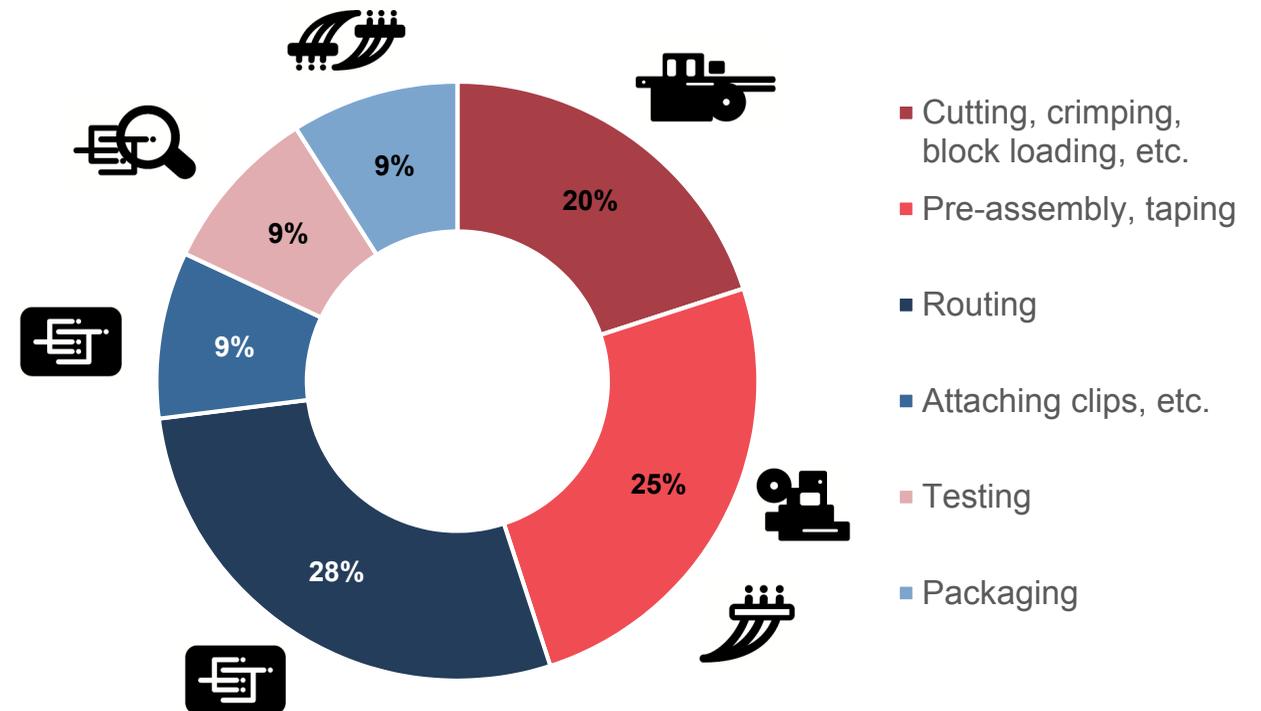


Development of non-automotive markets

Komax offers solutions for every stage of customers' value chain



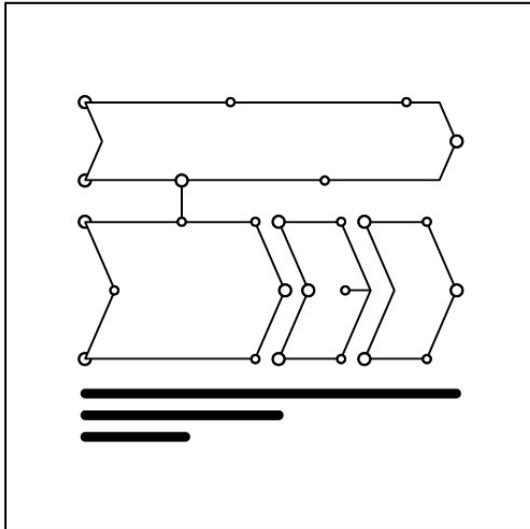
Proportion of time spent per wire harness



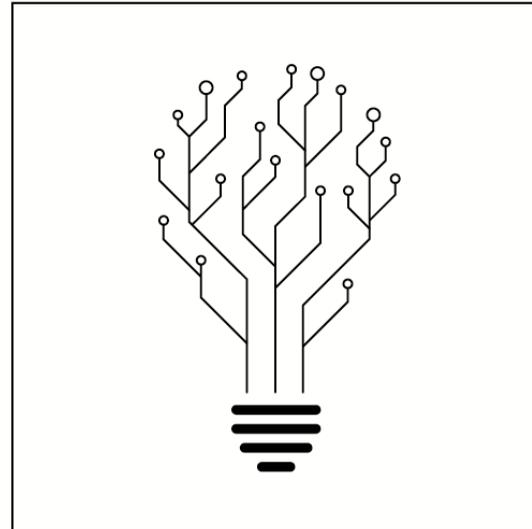
○ Komax automation solutions at work
 — Komax MES – Manufacturing Execution System

Strategic priorities

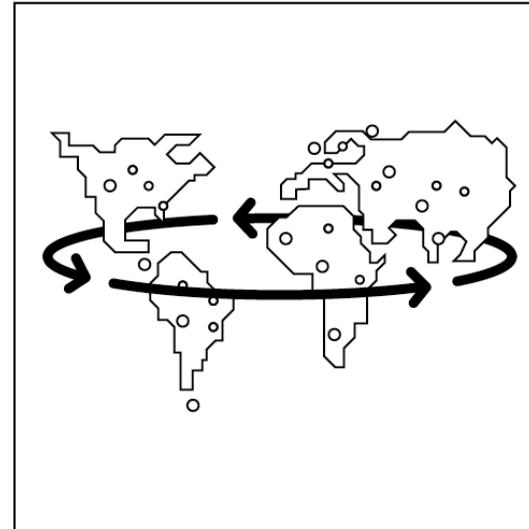
Innovative production concepts



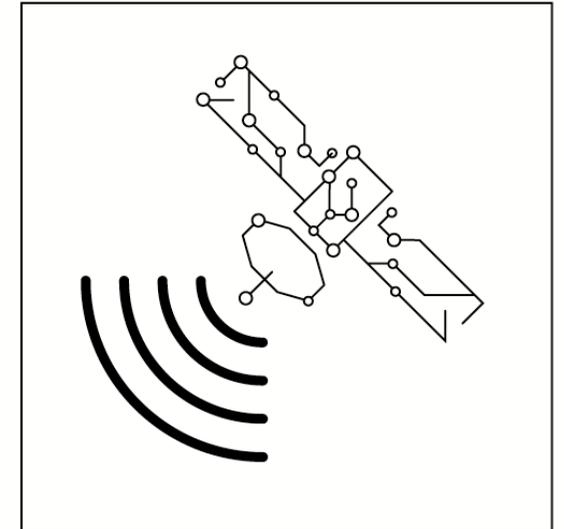
Solutions along the value chain



Innovative production concepts



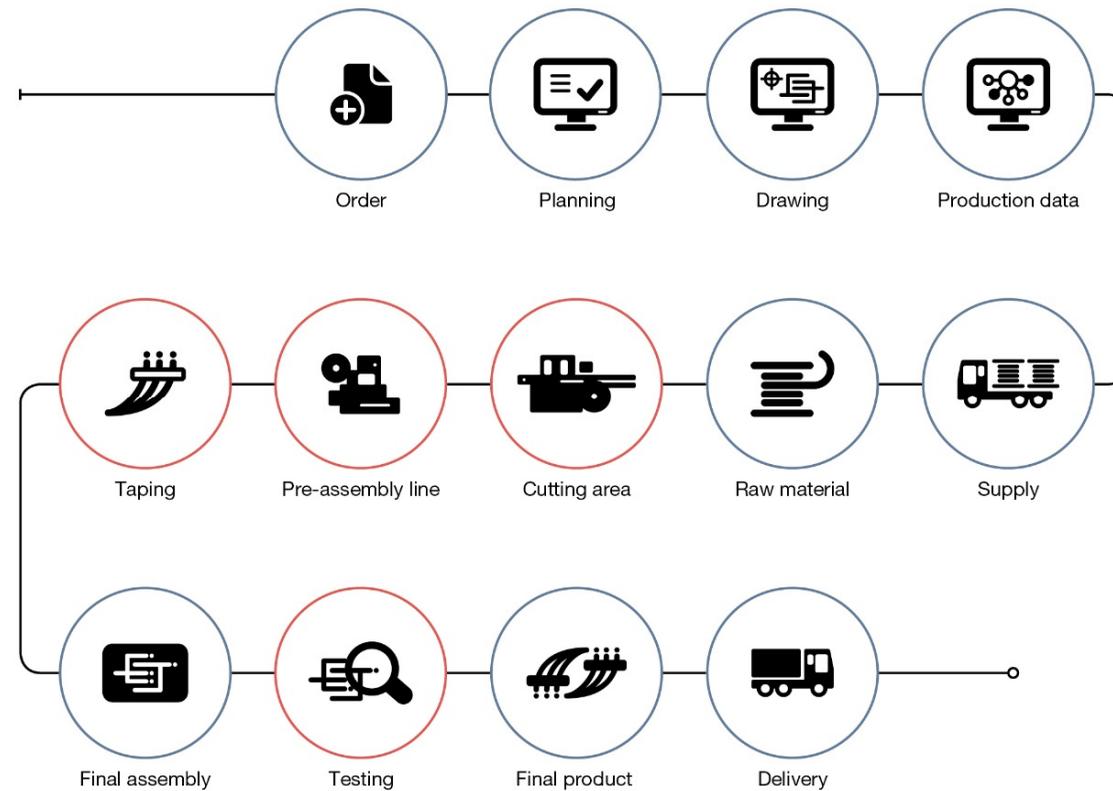
Increase in global reach



Development of non-automotive markets

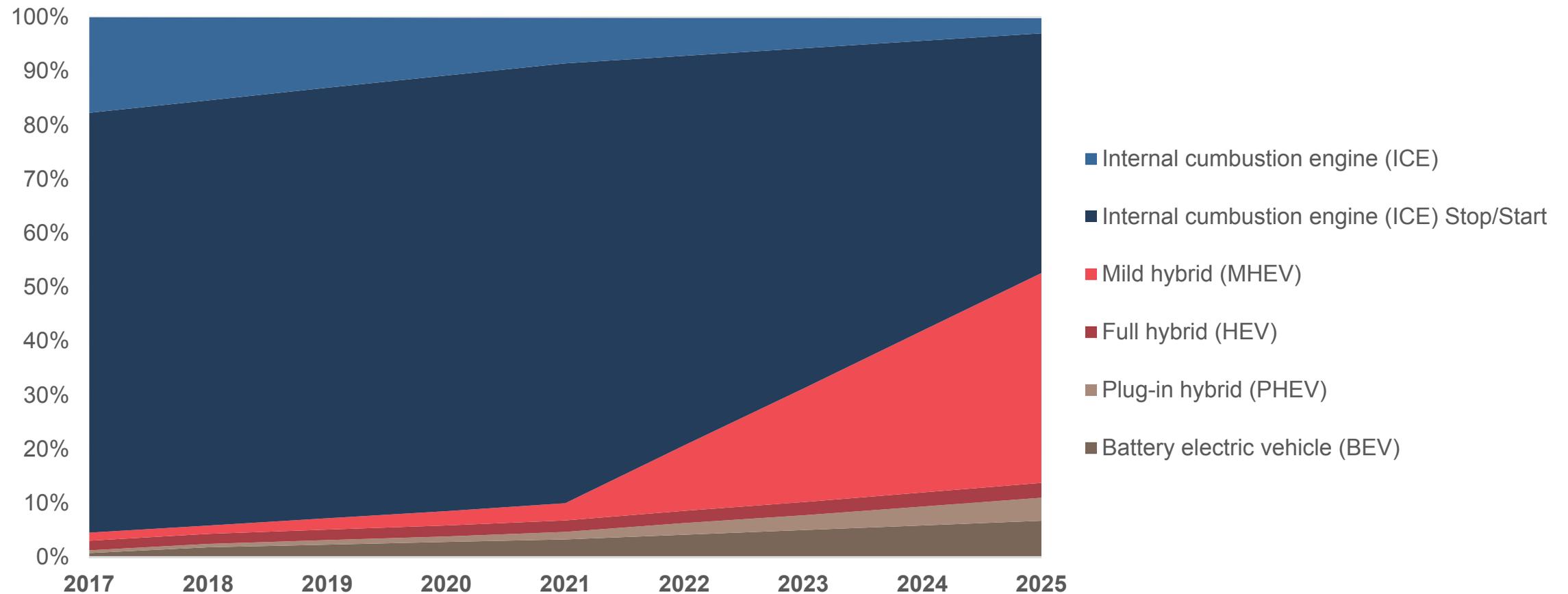
Electro-mobility

Center of competence at Komax Thonauer in Budakeszi (Hungary)



Development of electro-mobility

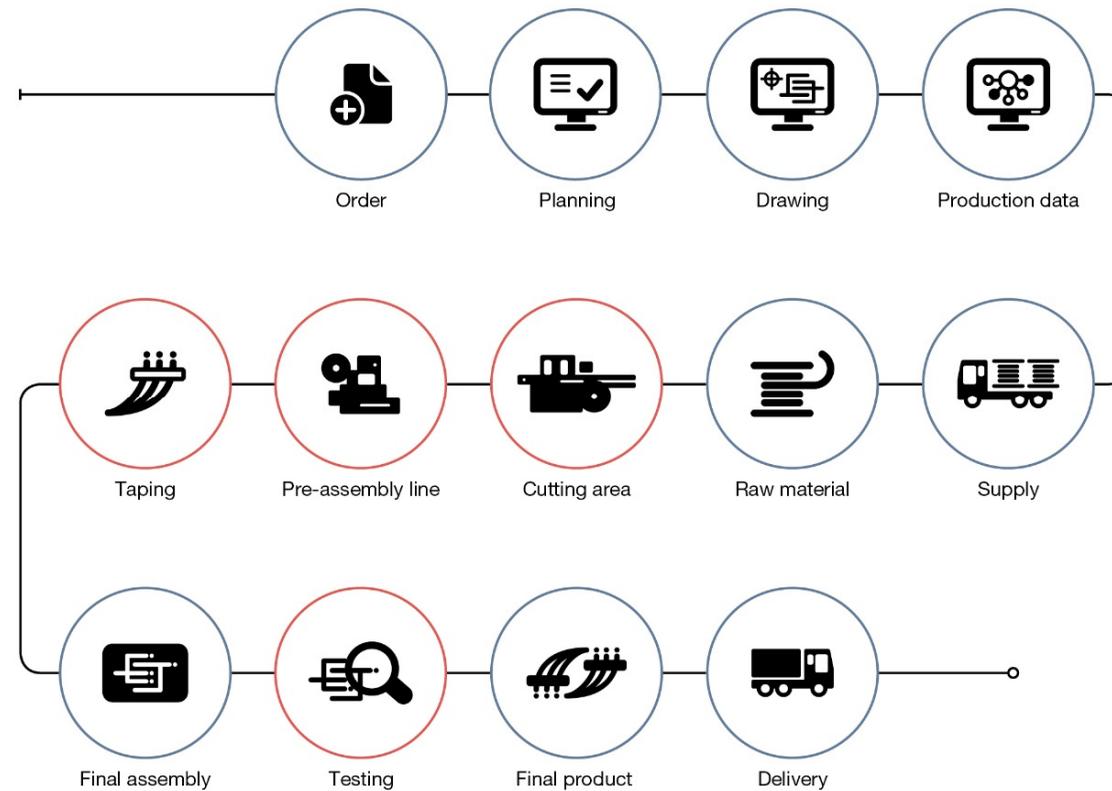
sharp increase by 2025



Source: IHS Markit / Komax

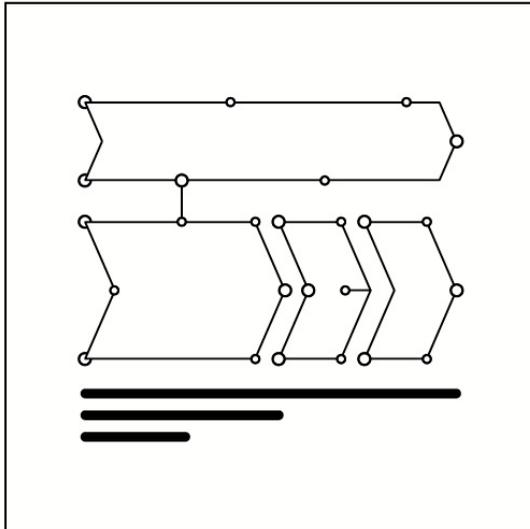
Autonomous driving

Center of competence at Komax SLE in Grafenau (Germany)

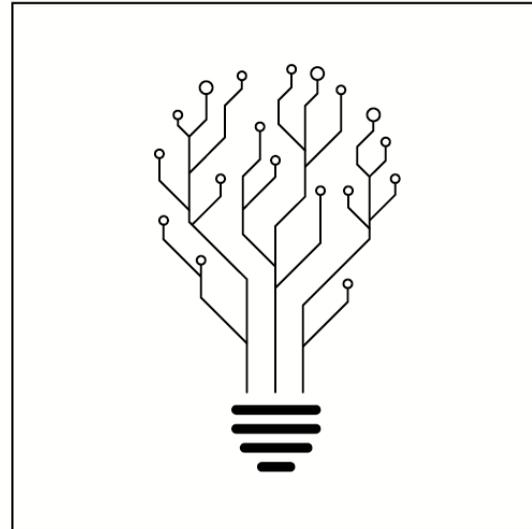


Strategic priorities

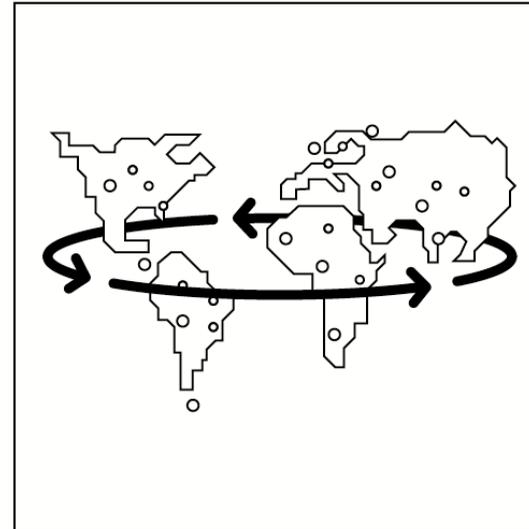
Increase in global reach



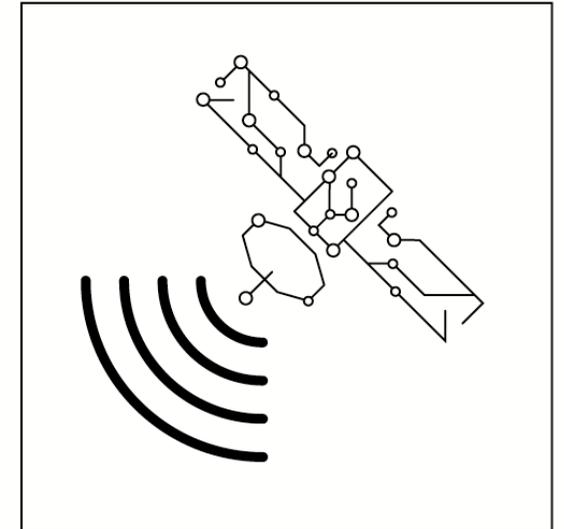
Solutions along the value chain



Innovative production concepts

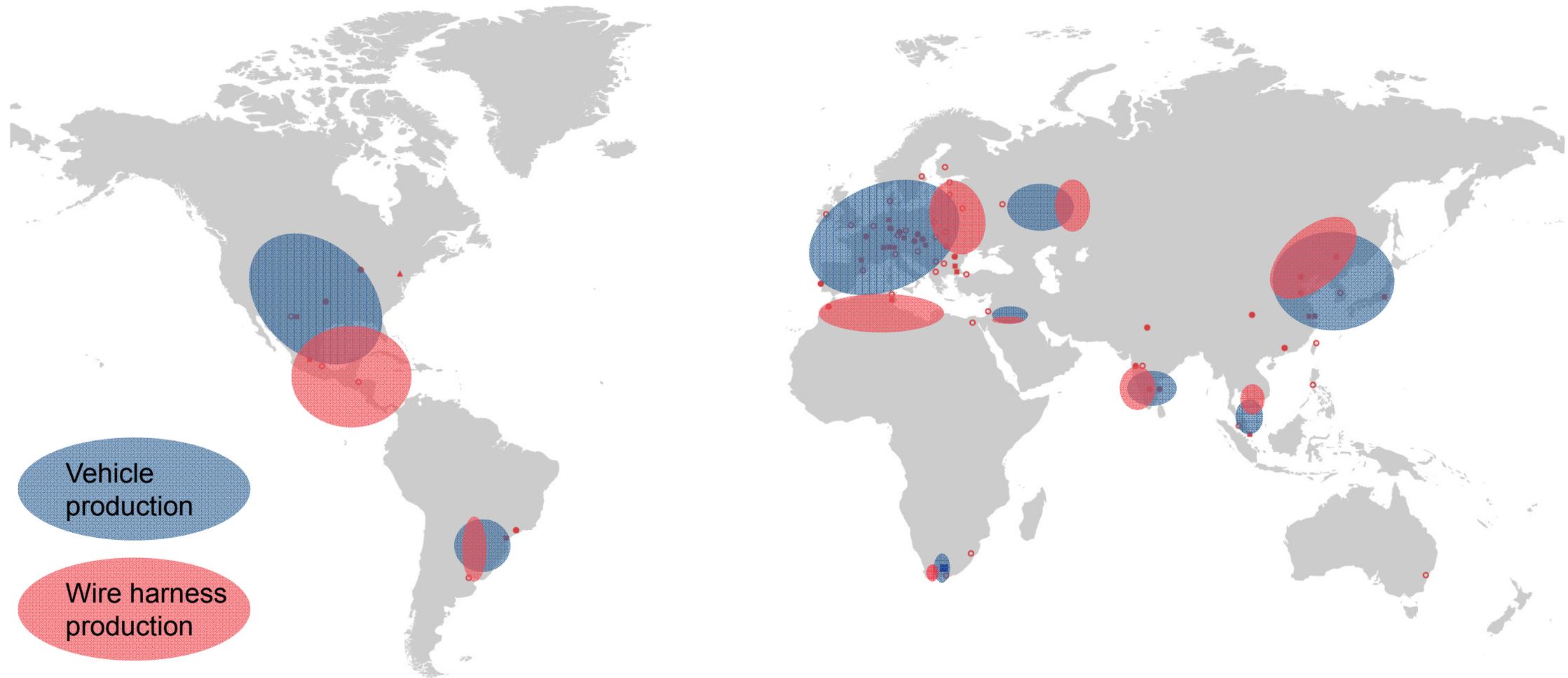


Increase in global reach



Development of non-automotive markets

Global production: vehicles and wire harnesses



Expansion of presence in Asia



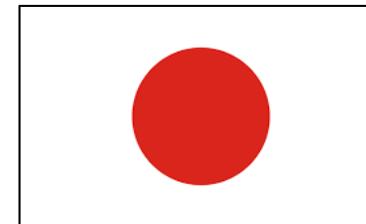
Asset Deal with Practical Solution in March 2017

- Development and production site in Singapore
- Distribution center in Shanghai

Three R&D locations in Asia



Shanghai



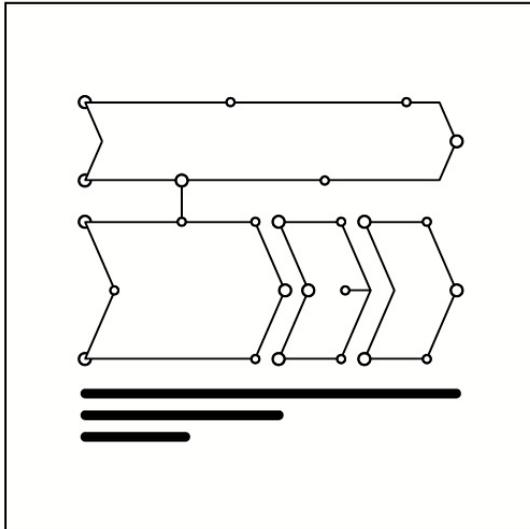
Tokyo



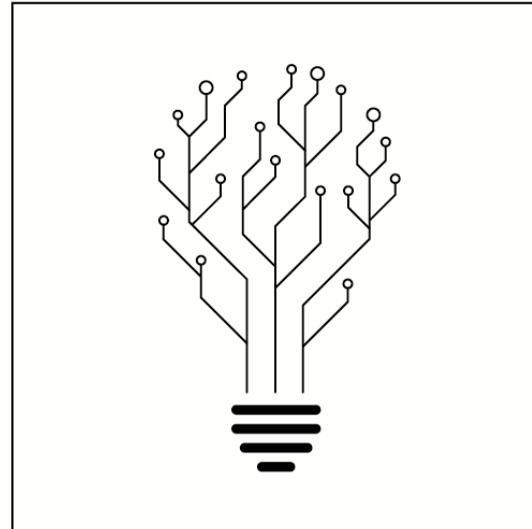
Singapur

Strategic priorities

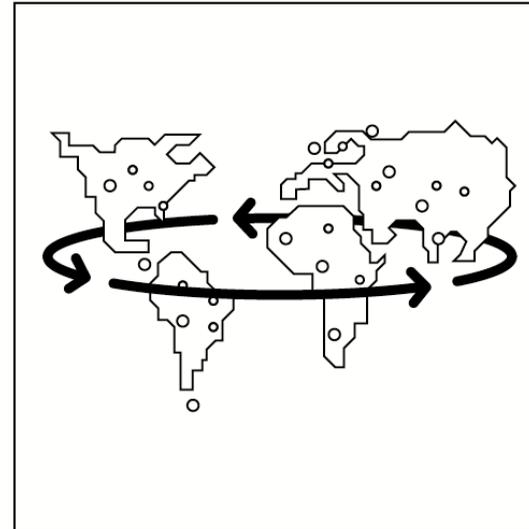
Development of non-automotive markets



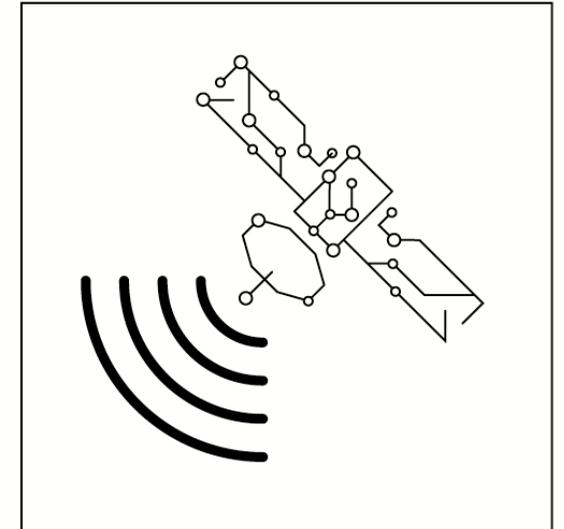
Solutions along the value chain



Innovative production concepts



Increase in global reach



Development of non-automotive markets

Development of non-automotive markets



AerospacE

- Safety
- Lightweight construction
- Reduction of emissions



Telecom & Datacom

- Multimedia
- Connected cars
- Autonomous driving



Industrial

- Small batches
- Electro-mobility
- Integrated production / industry 4.0

Selective and complementary build-up of competencies in non-automotive areas supports success of core business

Breakthrough in aerospace segment

- Seven-figure order in aerospace segment in 2017
 - 2018–2020: systems delivery
 - Highest-ever level of automation of wire processing in the aerospace industry
 - Serial production machines as a basis
 - Integrated laser applications from Laselec
- Other orders received from the aerospace segment



Acquisition of Laselec SA

- Acquired effective 1 October 2017
- Strengthening of aerospace market segment
- Laser-assisted cable stripping and marking solutions
- Intelligent assembly boards for wire harness production
- Headquarters in Toulouse (France), branch in USA (Dallas County)
- Around 70 employees



Winner of the
productronica
innovation award 2017



Agenda



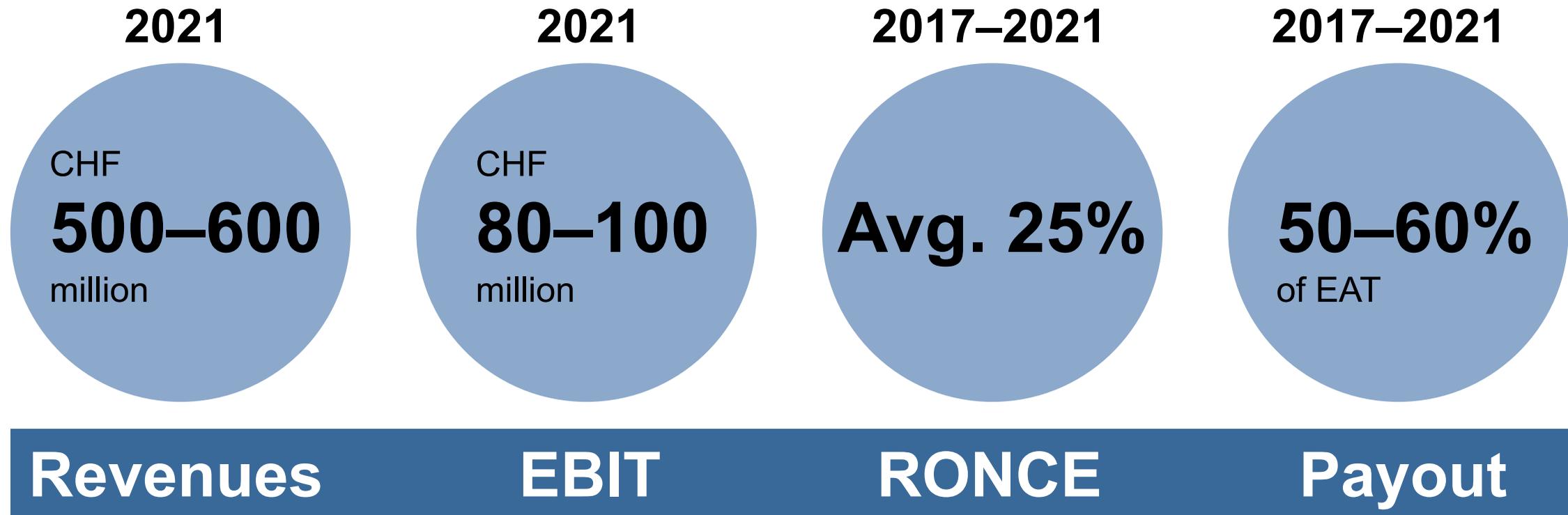
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- **Focus and outlook 2018**
- Questions

Priority areas 2018

- Targeted investments in research and development projects
- Launch of new solutions along the value chain
- Optimization of processes
- Increased productivity
- Integration of Practical Solution and Laselec
- Implementation of construction projects for capacity expansion

2017–2021 strategy

ambitious targets, attractive dividend policy



Outlook



The Komax Group remains very well positioned, and considers itself to be on track with the implementation of its 2017–2021 strategy.

For the 2018 financial year, Komax is confident of delivering a result that will support the attainment of its ambitious medium-term targets. Komax expects to grow more strongly than the market and to increase profitability slightly – despite continuing to invest heavily in research and development.

Demand for automation solutions in the area of wire processing continues to rise. Thanks to its innovative strength and broad spectrum of solutions, Komax is ideally placed to seize the growth opportunities that present themselves.

Contact / Financial calendar



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Financial calendar

Annual General Meeting	19 April 2018
Dividend payment	25 April 2018
Half-year results 2018	21 August 2018
Investors Day	26 October 2018
Preliminary information on 2018 financial year	22 January 2019
Annual media and analyst conference on the 2018 financial results	14 March 2019
Annual General Meeting	16 April 2019

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

