# INTERVIEW

## The Komax Group performed very well in 2022 despite a turbulent market environment, and is well positioned for success in the future following the combination with Schleuniger.

**Beat Kälin, how would you assess the 2022 financial year?**
Beat Kälin: It was definitely a year that will go down in the history books for the Komax Group. Firstly, because we have never recorded an order intake and revenues of this magnitude before. And secondly, because of the long-term significance of our combination with Schleuniger.

**The combination took many people by surprise. How did it come about?**
Beat Kälin: Various trends in our market offer numerous opportunities, such as e-mobility, the shift of the automotive market to Asia, and automation generally. A high level of investment is essential if we are to consistently exploit the growth opportunities on offer. Komax and Schleuniger are in the same situation in this respect. Both are successful, healthy companies that nevertheless need to prioritize the specific trends they want to pursue based on their available financial and personnel resources.

**And what are you hoping to get from the combination of the two companies?**
Beat Kälin: It will strengthen our competitiveness over the long term, as we will have additional expertise and resources with which to leverage the relevant trends. Or, to put it another way: It has given us extra resources to bring new solutions to the market more rapidly and thereby meet the needs of our customers even better – and on a broader basis.

**Matijas Meyer, let's talk about the figures for 2022. How satisfied are you with these results?**
Matijas Meyer: We've been confronted by a challenging market environment for a number of years now. So to be able to unveil record figures is an extraordinary achievement, and one that pleases me greatly. This result was possible thanks to the hard work and dedication of our employees. On behalf of the Executive Committee, I would like to thank all those who have worked relentlessly to meet the needs of our customers and deal with the various challenges on a daily basis along the way.

**What challenges are you referring to?**
Matijas Meyer: As in previous years, the coronavirus pandemic and supply chain difficulties proved significant obstacles. The course of the pandemic had an impact on our business activity in Asia in particular. As a result of lockdowns, customer visits were heavily restricted or even impossible for a prolonged period of time. What's more, the workforce at our production site in Shanghai was directly affected by the city being locked down for many weeks. They coped with this situation admirably. A number of employees even spent part of the lockdown period at our location in Shanghai so as to be able to continue their work.

**And what about the supply chain situation? Any improvement on the horizon?**
Matijas Meyer: Some aspects of our procurement situation improved in the second half of the year. But there are still several components that are in short supply and subject to long delivery times. It was above all thanks to the great efforts and expertise of our employees on the procurement side that we were able to continue to provide a high level of reliability on deliveries despite all the difficulties. Particularly bearing in mind the extraordinary situation we faced in the first half of the year.

Chairman of the Board of Directors Beat Kälin (left) in discussion with CEO Matijas Meyer.

**How do you mean?**
Matijas Meyer: We came into 2022 with a strong order book. So we had plenty on our plate from the start, and there was considerable pressure on our specialists to source the necessary components in the required timeframe. And when the war then started in Ukraine, the challenges faced by our production planning teams multiplied in just a few days.

**Can you be more specific?**
Matijas Meyer: As a large number of wire harnesses for European automotive manufacturers are produced in Ukraine, these companies were very concerned that they would not be able to acquire the wire harnesses they needed in a timely manner. To mitigate this problem, wire manufacturers began building up substitute capacity in other countries as quickly as possible – in Eastern Europe and North Africa in particular. But to install that capacity they also needed numerous wire processing machines. For us this meant a deluge of orders in a single month that we would ordinarily expect across an entire quarter. And of course, the delivery urgency was extreme. This in turn required us to ramp up our production capacity hugely within a very short space of time, and to find a way to procure even more of those components that were already in short supply. I was impressed and enormously pleased by the flexibility and dedication our workforce showed in this situation.

**Were you able to process all these orders?**
Matijas Meyer: The trend toward greater automation and the war in Ukraine triggered an extremely high order intake. And with the current supply chain situation, production volumes cannot simply be increased by any amount just like that. This meant that we had a high book-to-bill ratio of 1.12 at the end of 2022, which gives us confidence when it comes to our operating result for the first half of 2023.

## "This result would not have been possible without the hard work and dedication of our employees."

**Matijas Meyer, CEO**

**In addition to the order intake and revenues, the EBIT margin also rose in 2022. Is there a correlation there?**
Beat Kälin: In our business there are two key factors that influence the EBIT margin: volumes and the product mix. Both of these factors developed in our favor in 2022. Firstly, we were able to increase revenues significantly; secondly, the large number of orders for the build-up of substitute capacity outside of Ukraine had a positive impact on the product mix. The order book was above all dominated by crimp-to-crimp machines, which we produce in standard models with a correspondingly high operating leverage. But obviously it's important to have your cost situation under control if you want to boost the EBIT margin.

**How are shareholders benefiting from this rise in profitability?**
Beat Kälin: Very directly. On the one hand, Komax shares appreciated by around 2% in 2022 despite a turbulent market environment – compare that to a 24% slump in the SPI Extra, for example. And on the other, through an increase in the dividend to CHF 5.50, as the Board of Directors is proposing to the Annual General Meeting. Half of this figure will be distributed from capital contribution reserves, which means it will be tax-free for natural persons domiciled in Switzerland who hold shares as part of their private assets. A dividend of CHF 5.50 equates to a payout ratio of 54.5%. We are therefore adhering to our strategic target of an attractive dividend policy with a payout ratio of 50–60% of Group earnings after taxes (EAT).

**Will it be possible to make further distributions from capital contribution reserves going forward?**
Beat Kälin: Yes, as the combination with Schleuniger has resulted in these reserves rising from CHF 0.8 million to CHF 207.1 million. Even after the proposed dividend is distributed following the AGM, we will still have CHF 180 million in capital contribution reserves. In other words, we will be able to pay numerous shareholders a partially tax-free dividend in the future, too.

**Given that you achieved your existing financial targets a year earlier than planned, when will you be setting new targets?**
Beat Kälin: In March 2020, the Board of Directors set a target of achieving revenues of between CHF 450 and 550 million in 2023, with EBIT of between CHF 50 and 80 million. And we achieved those targets in 2022, with revenues of CHF 522 million and EBIT of CHF 67 million. It goes without saying that these figures do not include the revenues and EBIT of Schleuniger, as the combination of the two companies was not factored into our calculations when we set the corresponding targets. We will define new targets as part of the strategy process that is currently unfolding, and will communicate these at the end of September.

**But the combination with Schleuniger took place at the end of August 2022. Why will it take a whole year for you to define a new strategy and new targets?**
Matijas Meyer: The Komax Group has become some 50% larger as a result of the combination. We have over 1 000 new employees and eleven new companies. If we want to be successful in the long term, it is crucial that employees are involved in the integration process and that we are transparent in our communications. Before we can formulate the new strategy we must first analyze the new status quo in detail. It's important that we deploy the great expertise of employees to best possible effect in all regions and market segments, both at Komax and at Schleuniger. For this to work, we first had to get to know each other and create a basis of trust on which we can build, so that we can forge a target vision for the future together. This process will take time, but I'm in no doubt at all that the investment will be worthwhile. Both Komax and Schleuniger are successful companies, so there's no need to rush through any urgent measures.

**Aside from the new strategy, what areas are you focusing on in 2023?**
Matijas Meyer: The integration process has gone very well so far, and many Komax and Schleuniger employees are already collaborating very closely. We need to continue along this path. At the same time, it's important that we don't get overly preoccupied with ourselves, but continue to respond to the needs of our customers in the best possible way. Numerous uncertainties will pose challenges in 2023 – such as wider macroeconomic developments, which will have an impact on the investment behavior of our customers, and the ongoing supply chain situation. That said, I'm looking ahead to the next few months with confidence, as the trend toward greater automation is intact and we intend to launch a number of new solutions. We will unveil some of these in November at Productronica in Munich, where Komax and Schleuniger will have a substantial shared presence at a trade fair for the first time. This will be a highlight of 2023.

## "The combination with Schleuniger will strengthen our competitiveness over the long term."

**Beat Kälin,
Chairman of the Board of Directors**