

RESULTS 2018 AND OUTLOOK 2019

komax

14 March 2019

2018 in brief



- **Expansion of market leadership**

- Strong growth in order intake and revenues, accompanied by an increase in profitability

- **High level of investment**

- Research and development (numerous product launches)
- Internal and external digitalization
- Capacity expansion (Switzerland, Germany and Hungary)

- **Enhanced global customer proximity**

- Foundation of Komax TSK Maroc in Tangier and asset deal with TX Mechatronics, Morocco
- Asset deal with TE Connectivity's Application Tooling business unit

- **Integration of companies and employees acquired in 2017**

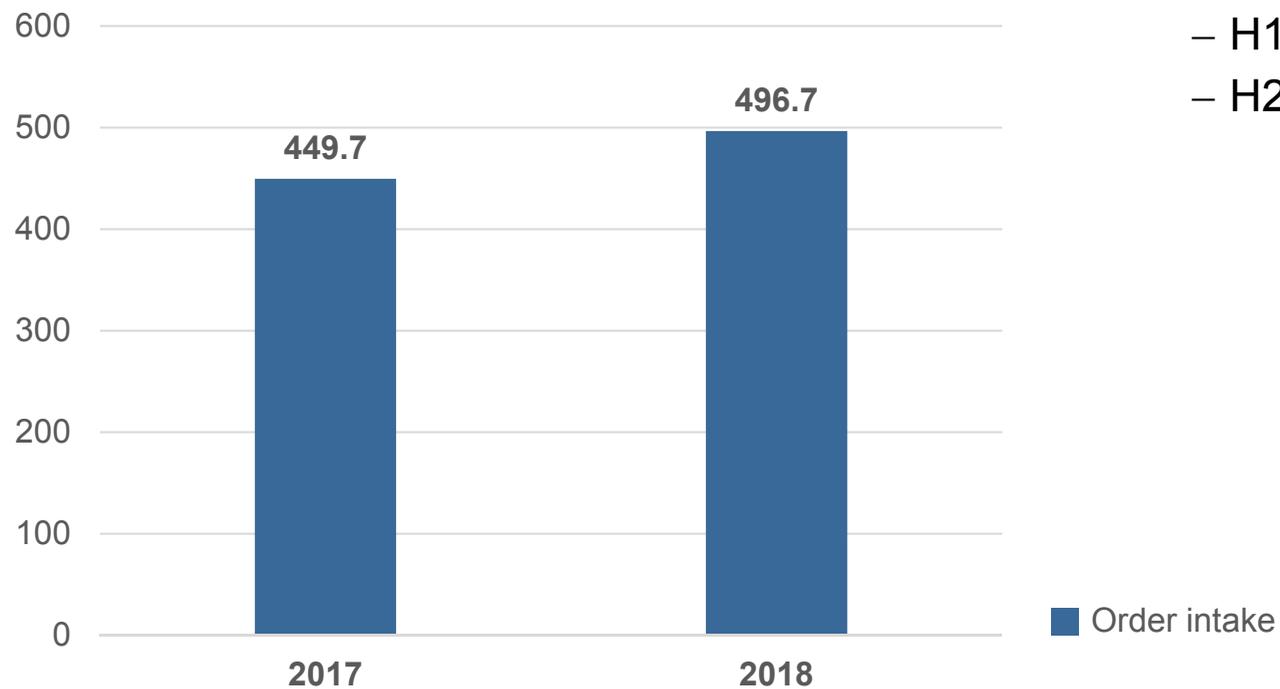
- Laselec (France and USA)
- Practical Solution (Shanghai and Singapore)

- **Challenges in automotive market**

- Strong pressures to automate
- Increasing uncertainty due to political and economic factors

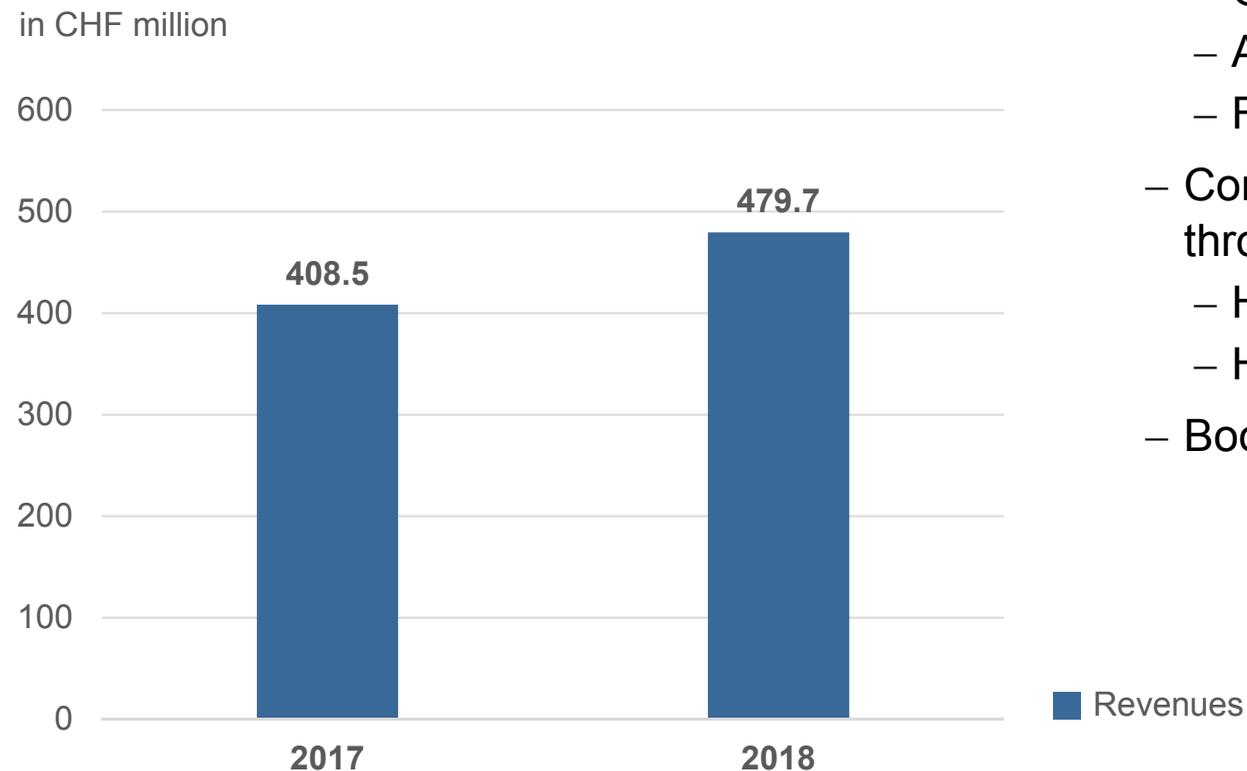
Order intake up 10.4%

in CHF million



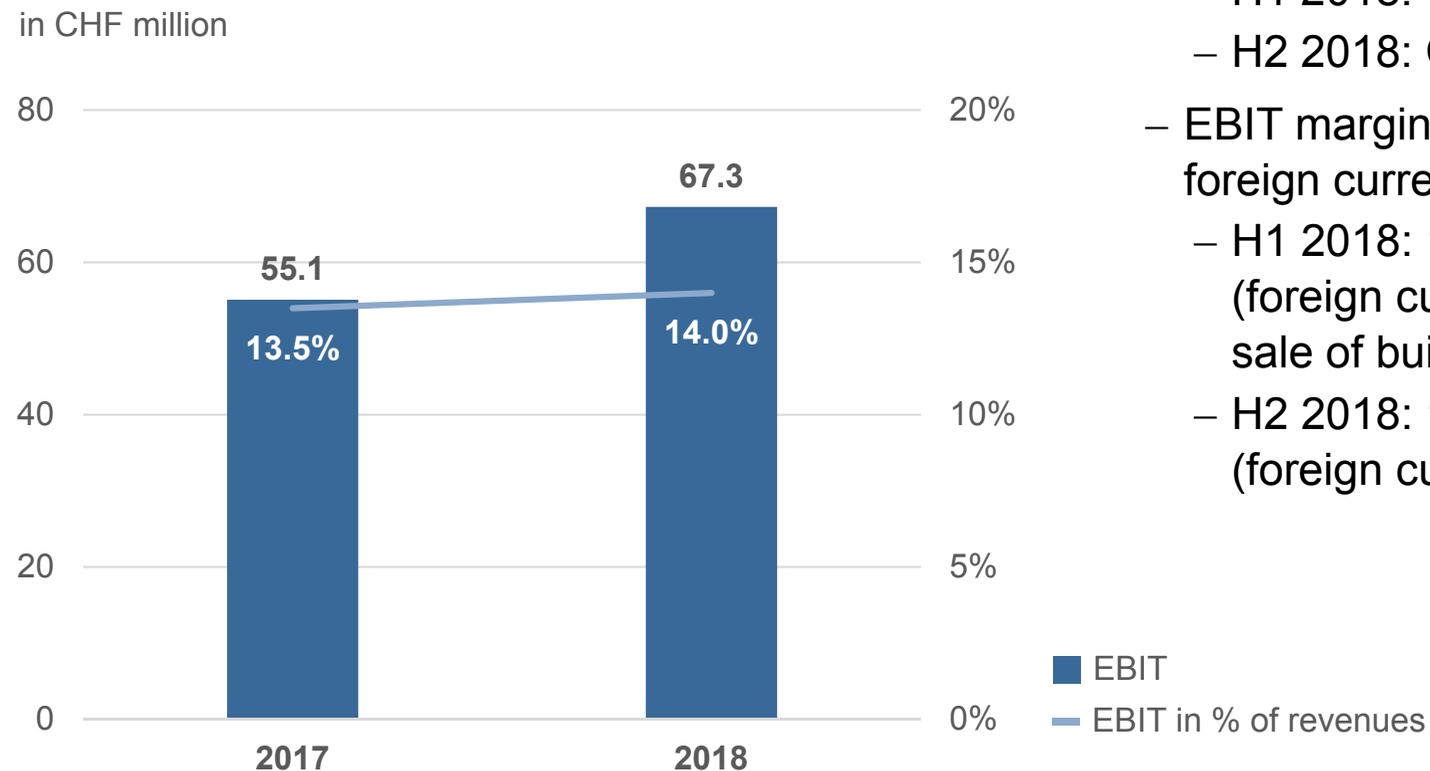
- Growth outstrips the market
- Very good first six months, dip in order intake towards the end of 2018
 - H1 2018: CHF 256.0 million
 - H2 2018: CHF 240.7 million

17.4% growth in revenues



- Breakdown of revenue growth
 - Organic growth: +13.9%
 - Acquisition-driven growth: +1.7%
 - Foreign currency impact: +1.8%
- Continued impressive growth in revenues throughout the year due to strong order backlog
 - H1 2018: CHF 236.9 million
 - H2 2018: CHF 242.8 million
- Book-to-bill ratio: 1.04 (2017: 1.10)

Clear increase in profitability



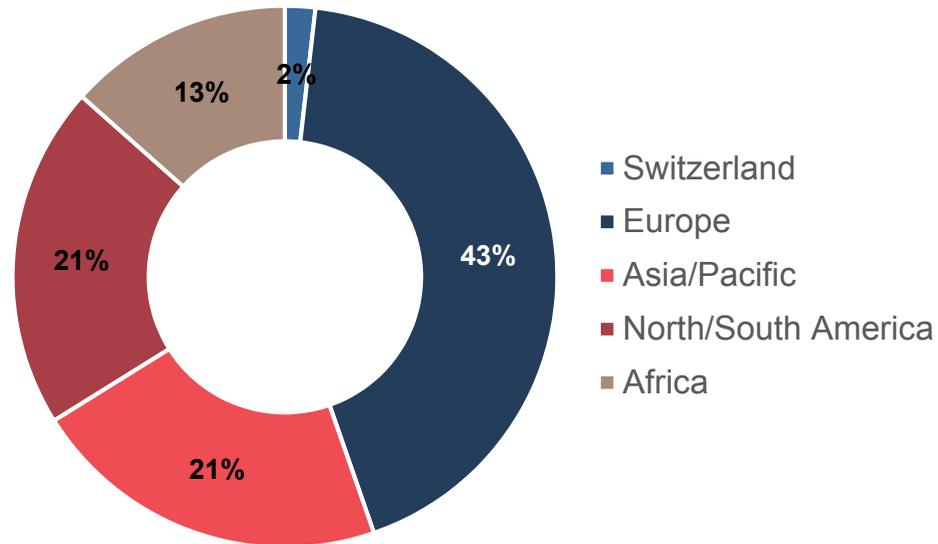
- EBIT higher in first six months
 - H1 2018: CHF 35.7 million
 - H2 2018: CHF 31.6 million
- EBIT margin impacted by developments in foreign currencies
 - H1 2018: 15.1%
(foreign currency impact: +1.3 ppts, sale of building in Portugal: +0.4 ppts)
 - H2 2018: 13.0%
(foreign currency impact: –0.6 ppts)

AGENDA

- 1 2018 financial year: financial performance**
- 2 2017–2021 strategy: focus on core market
- 3 Focus and outlook 2019
- 4 Questions

Strong growth in all regions

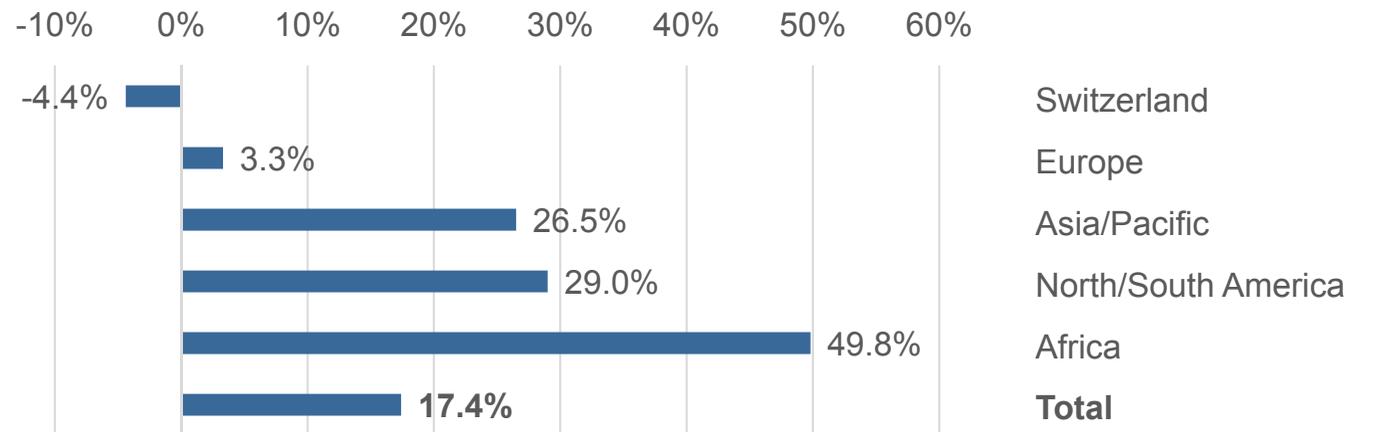
Revenues by region in 2018



Revenues by region in 2017

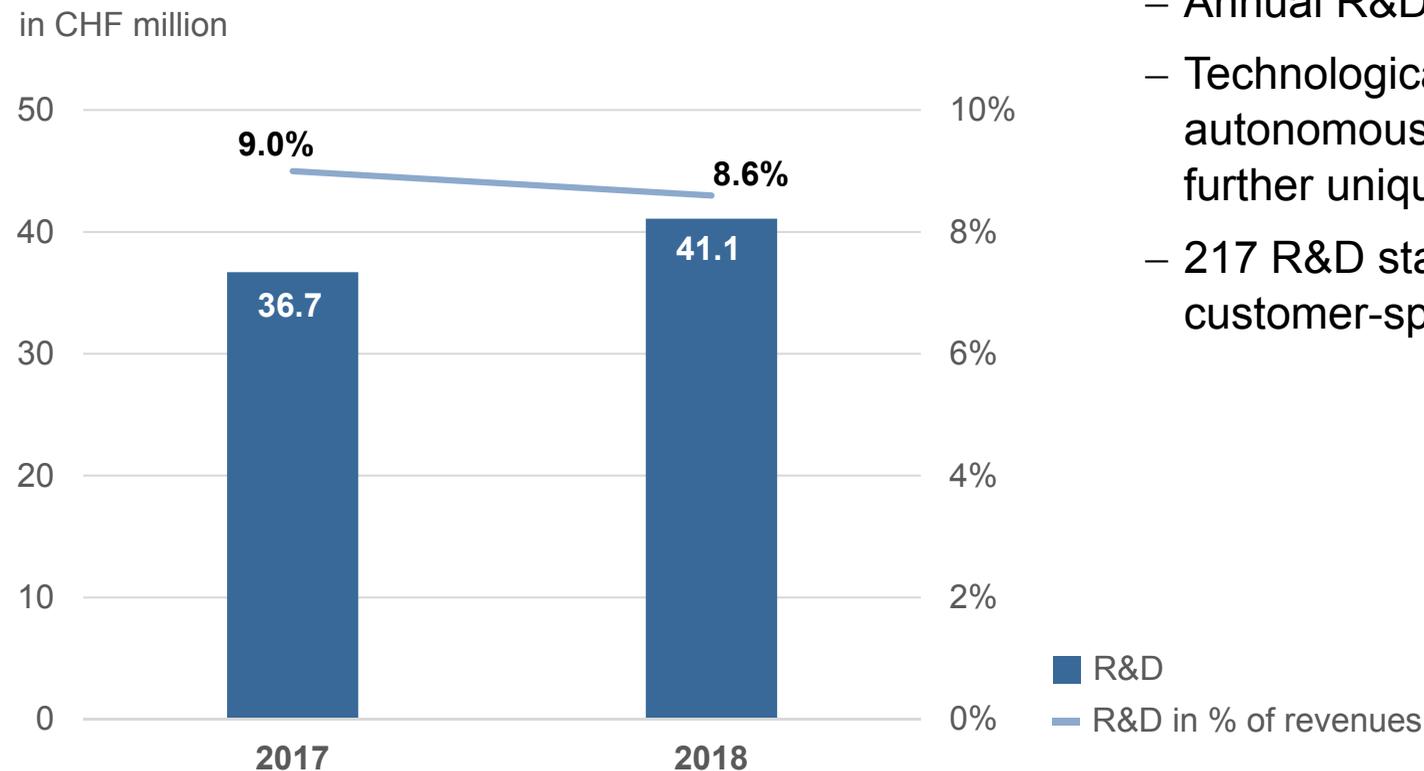
- Switzerland 2%
- Europe 49%
- Asia/Pacific 20%
- North/South America 19%
- Africa 10%

Change from previous year



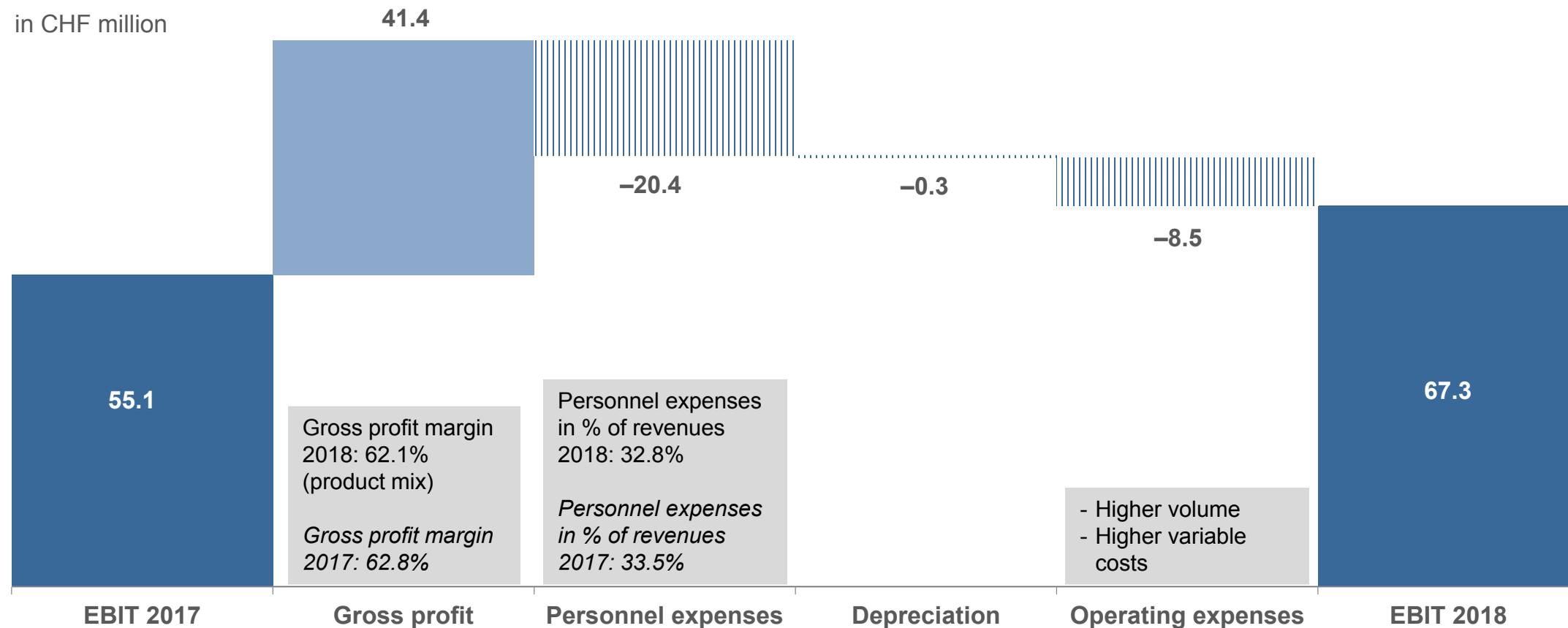
Resources situation in Eastern Europe still tight; build-up of production capacity in North Africa continuing

Innovation as driver of success



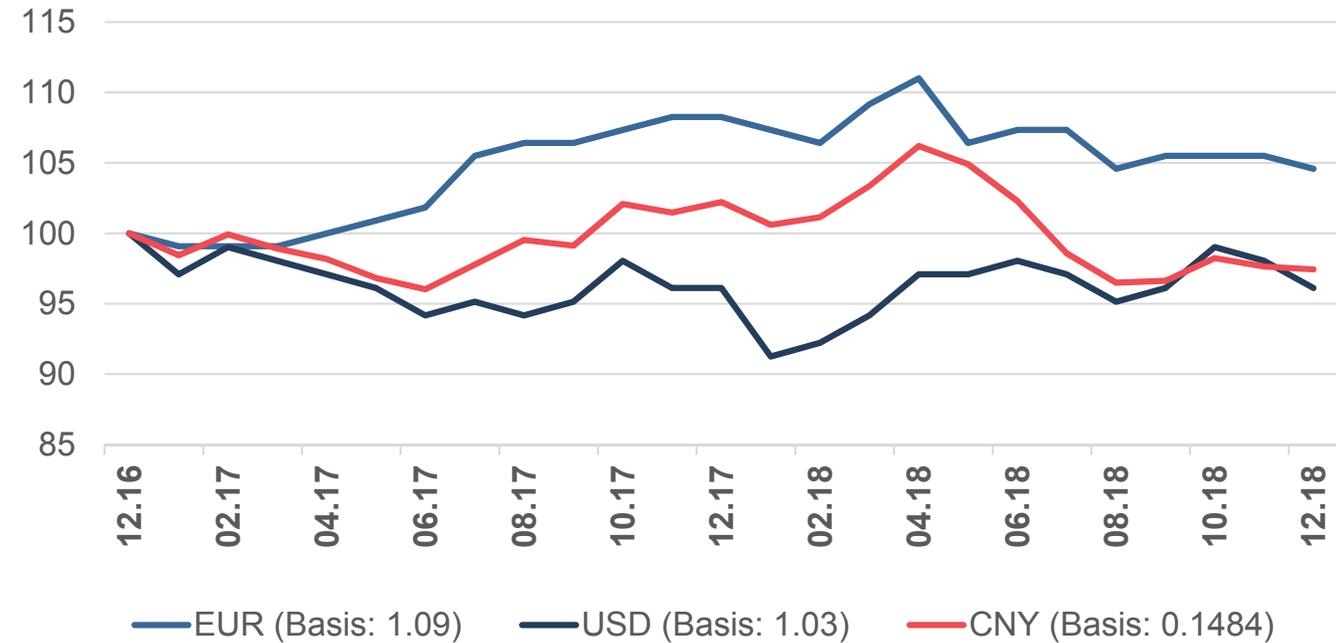
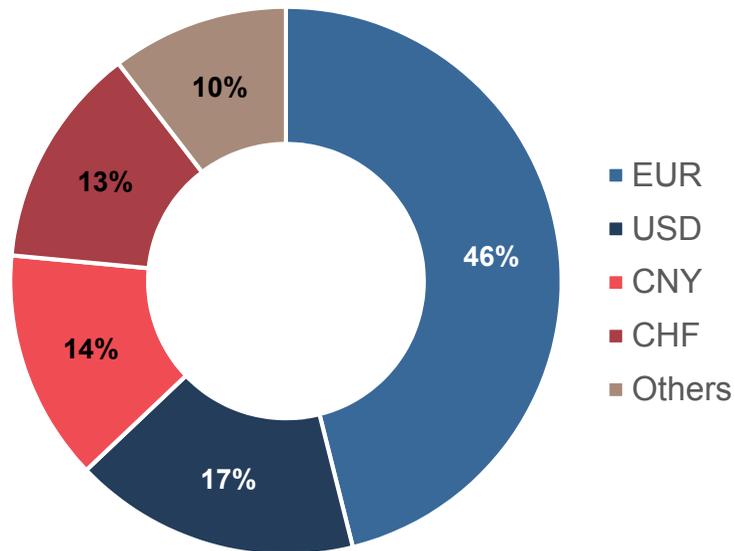
- R&D investments up 12%
- Annual R&D spending at 8%–9%
- Technological shift in automotive industry (e-mobility, autonomous driving, etc.) creating opportunities for further unique selling propositions
- 217 R&D staff; plus around 170 engineering staff for customer-specific solutions

EBIT up 22.1%



Substantial movements in currencies

Revenues by currency



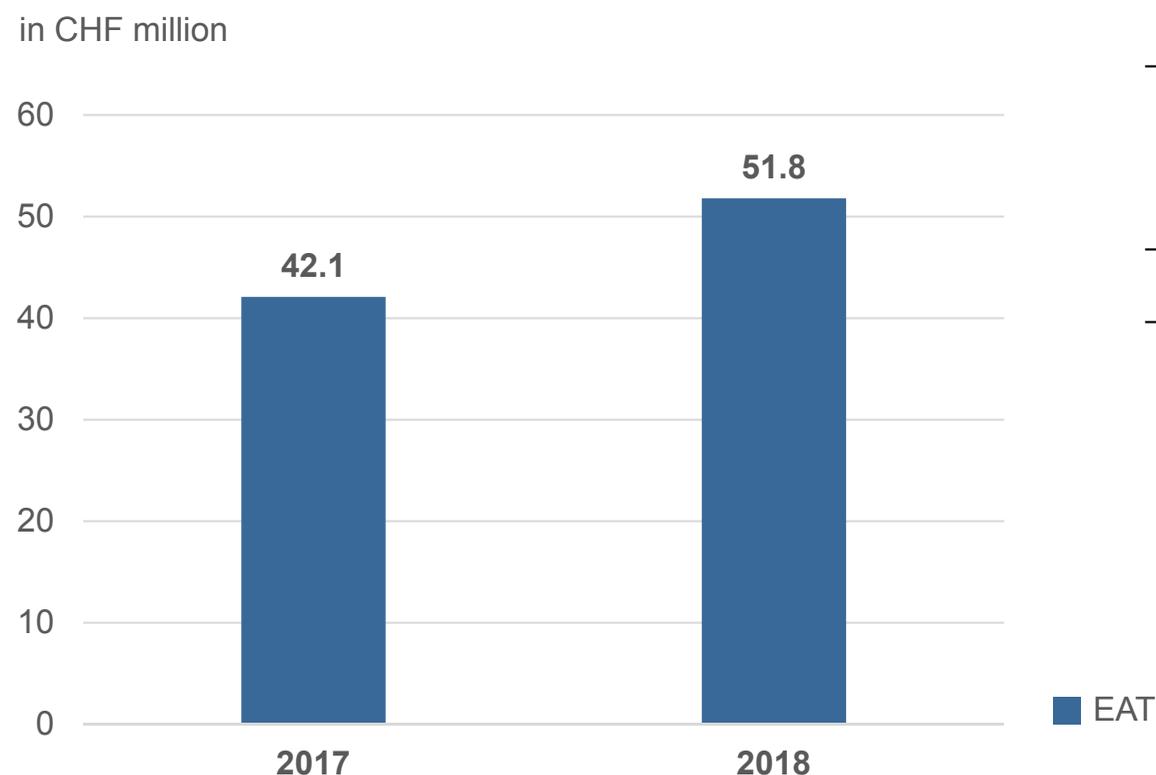
– **Foreign currency impact 2018**

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

– **Foreign currency impact H1 2018**

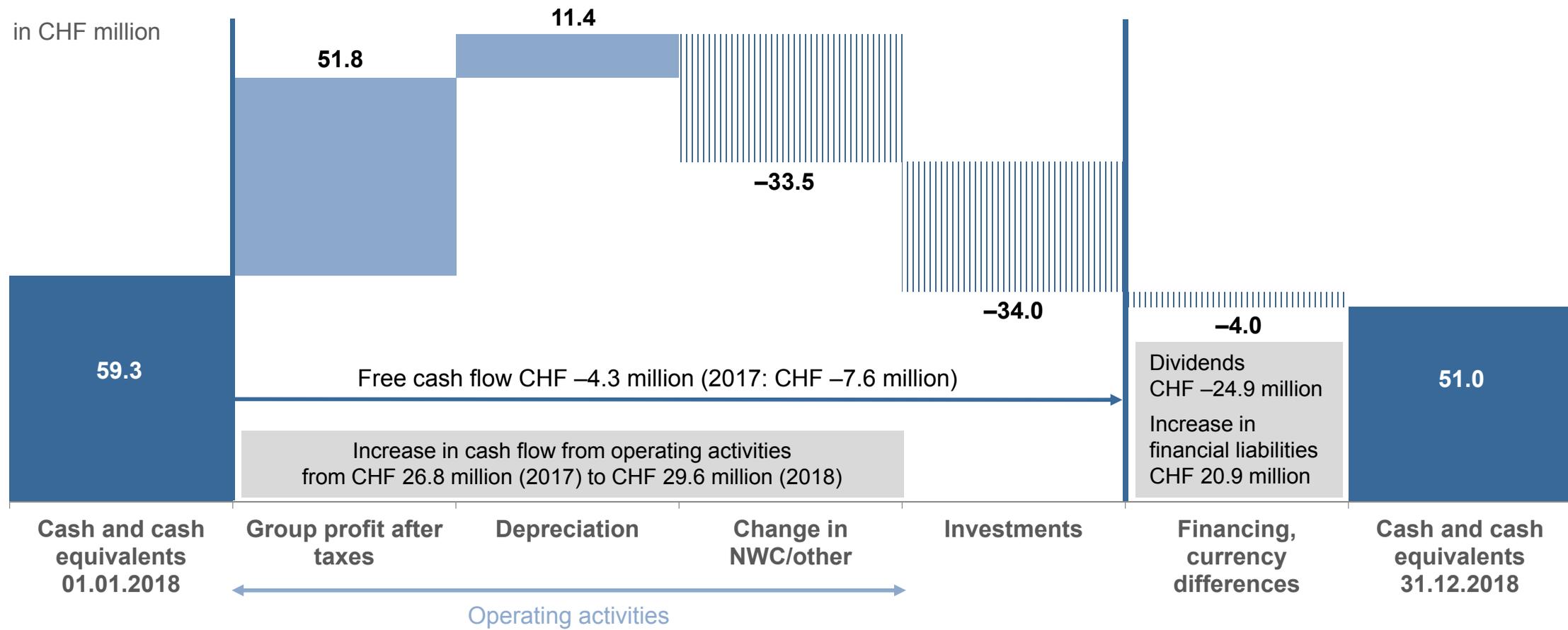
revenues: +3.6 pts, gross profit margin: +1.9 pts, EBIT margin: +1.3 pts

23.0% increase in Group profit after taxes (EAT)



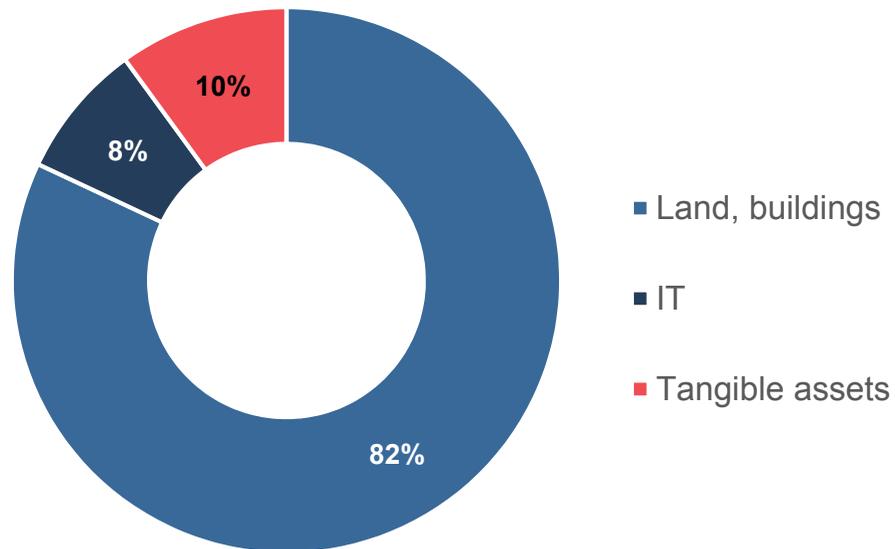
- Negative financial result (CHF –5.2 million) impacts on profit (financial result 2017: CHF –0.8 million)
- CHF 3.0 million of this financial result is attributable to unrealized book losses mainly on currencies of emerging markets (including Brazil and Turkey)
- Tax rate in % of EBT: 17.0%
- Tax rate expected over medium term: around 20%

High level of investment activity impacting free cash flow



Investment volume remains high

Gross investment
(excl. acquisition and sale of companies)



- Net investment (excl. acquisition and sale of companies): CHF 31.7 million (2017: CHF 21.3 million)
 - Tangible assets (CHF 28.8 million)
 - Intangible assets (CHF 4.2 million)
 - Decrease in granted loans (CHF –1.3 million)
- Divestment of buildings in Portugal and the USA: CHF 8.2 million

Investment in capacity expansion

Construction projects in Switzerland, Germany and Hungary



Komax, Dierikon (CH)



Komax SLE, Grafenau (DE)



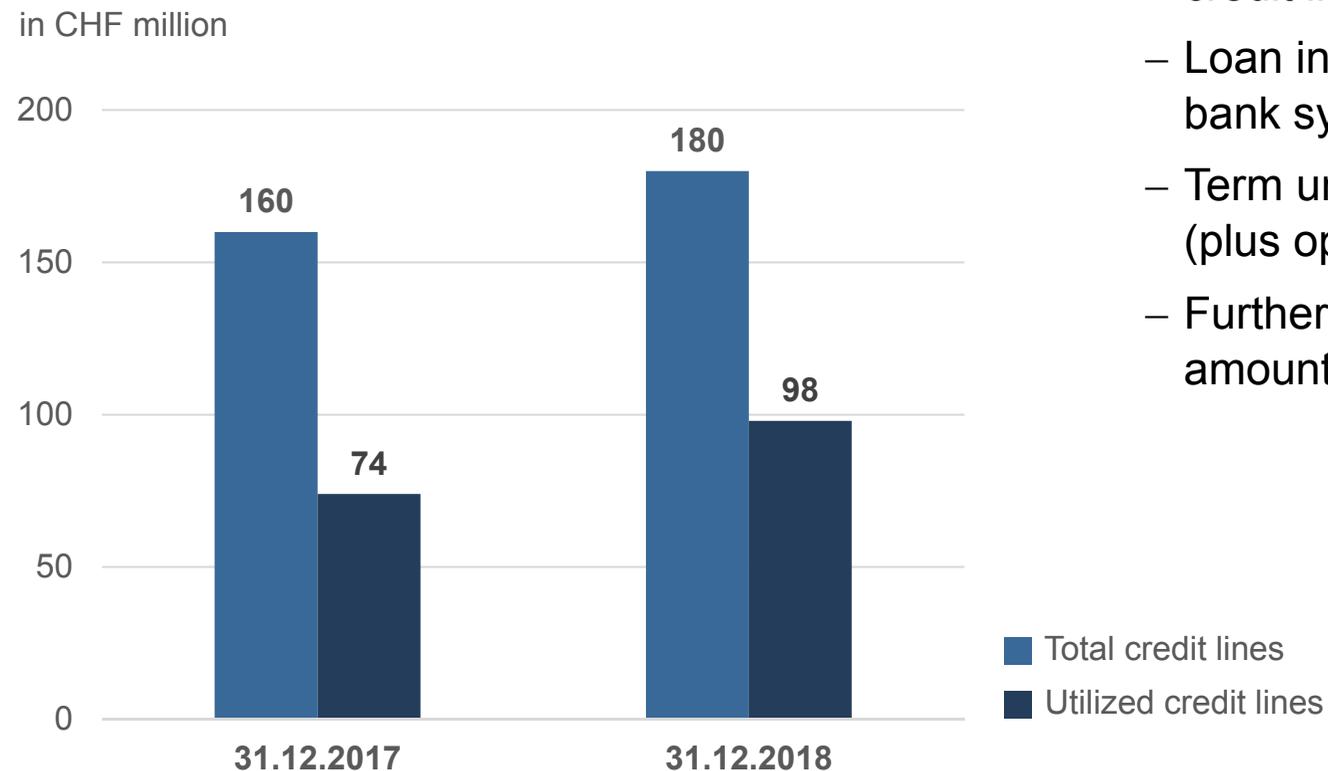
Kabatec, Burghaun (DE)



Komax Thonauer, Budakeszi (HU)

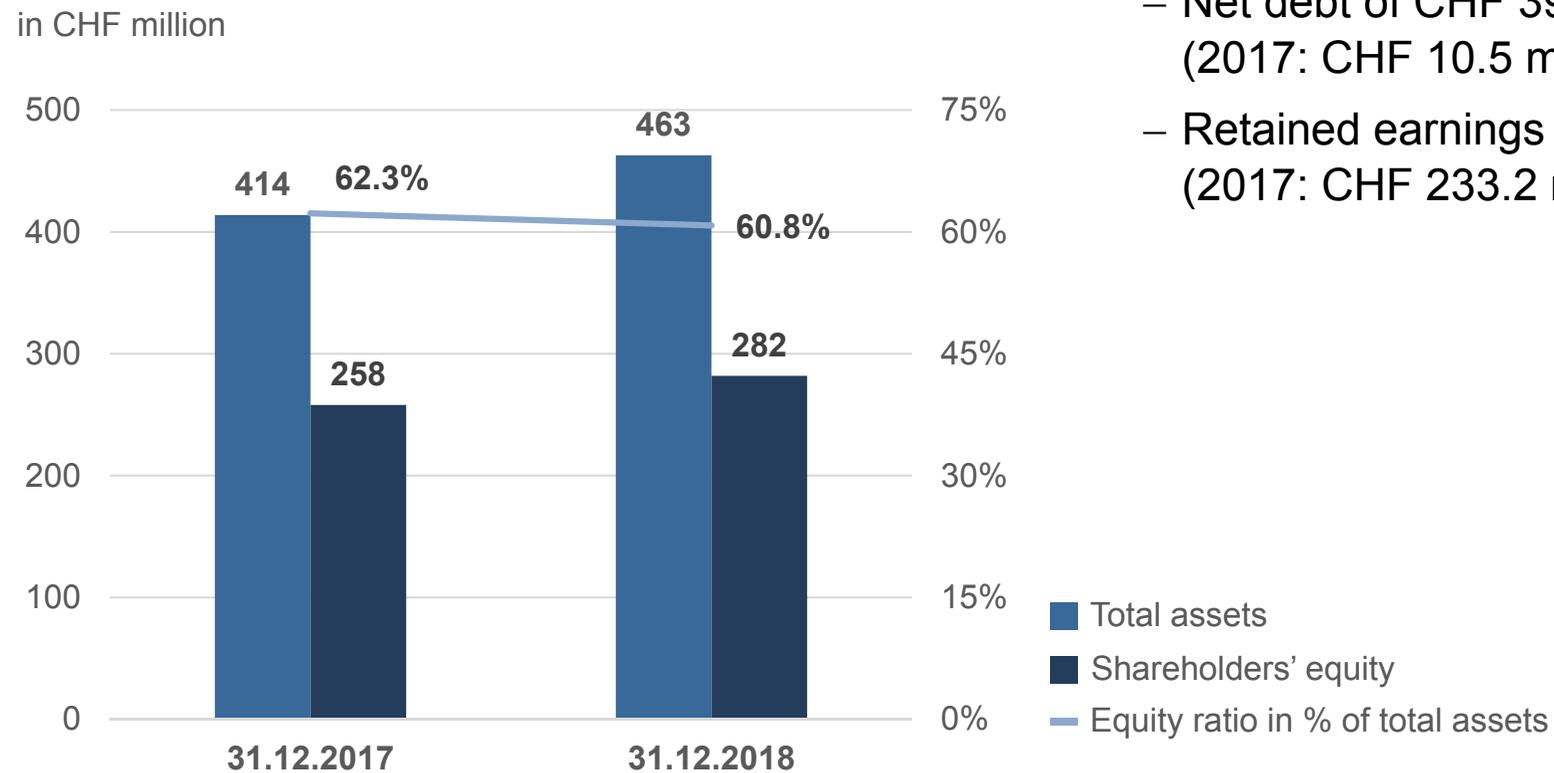
- Sharp jump in CAPEX due to high investment volumes for capacity expansion
- CAPEX
 - 2018: CHF 41 million
 - 2019: approx. CHF 80–90 million
 - 2020–2022: around 4% of revenues annually

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 160 million through a bank syndicate (2017: CHF 140 million)
- Term until January 2022 (plus option for extension until January 2023)
- Further local credit lines for subsidiaries in the amount of CHF 20 million (2017: CHF 20 million)

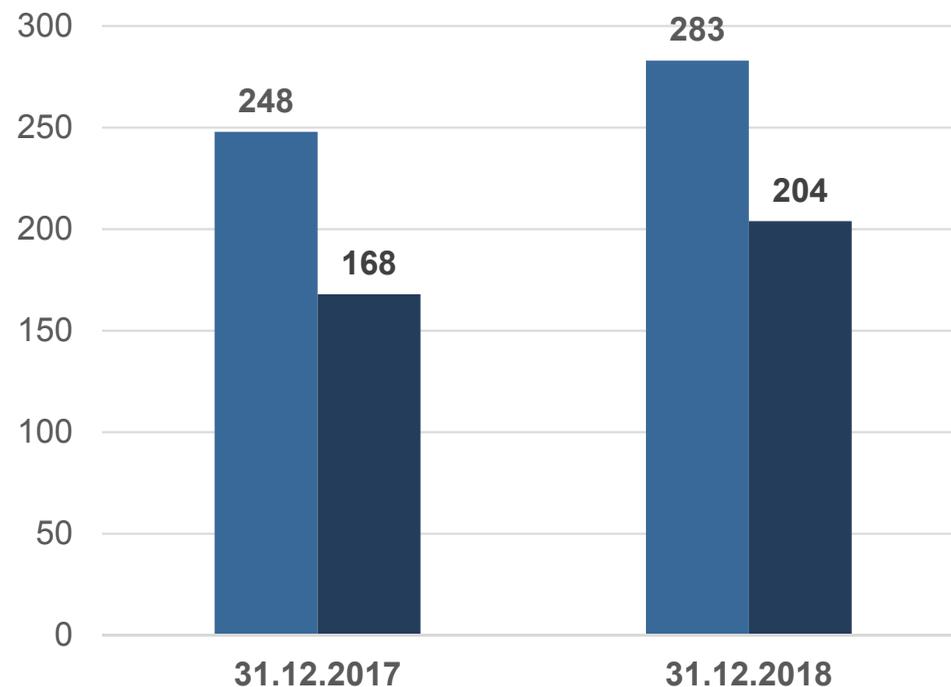
Continued strong financial base



- Continued high equity ratio
- Net debt of CHF 39.4 million (2017: CHF 10.5 million)
- Retained earnings of CHF 259.0 million (2017: CHF 233.2 million)

RONCE rises from already high level

in CHF million



- RONCE: 25.2% (2017: 23.8%)
- 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 less current liabilities

Attractive dividend yield

- Payout of CHF 7.00 per share proposed
 - Of which CHF 6.20 as dividend and CHF 0.80 as distribution from capital contribution reserves
- Payout ratio 52.0%
(strategic bandwidth: 50%–60%)

	2014	2015	2016	2017	2018 ¹
Distribution per share in CHF	5.00	6.00	6.50	6.50	7.00
Dividend yield in % as at 31 Dec.	3.5	3.1	2.6	2.0	3.0

¹ Proposal to the Annual General Meeting.

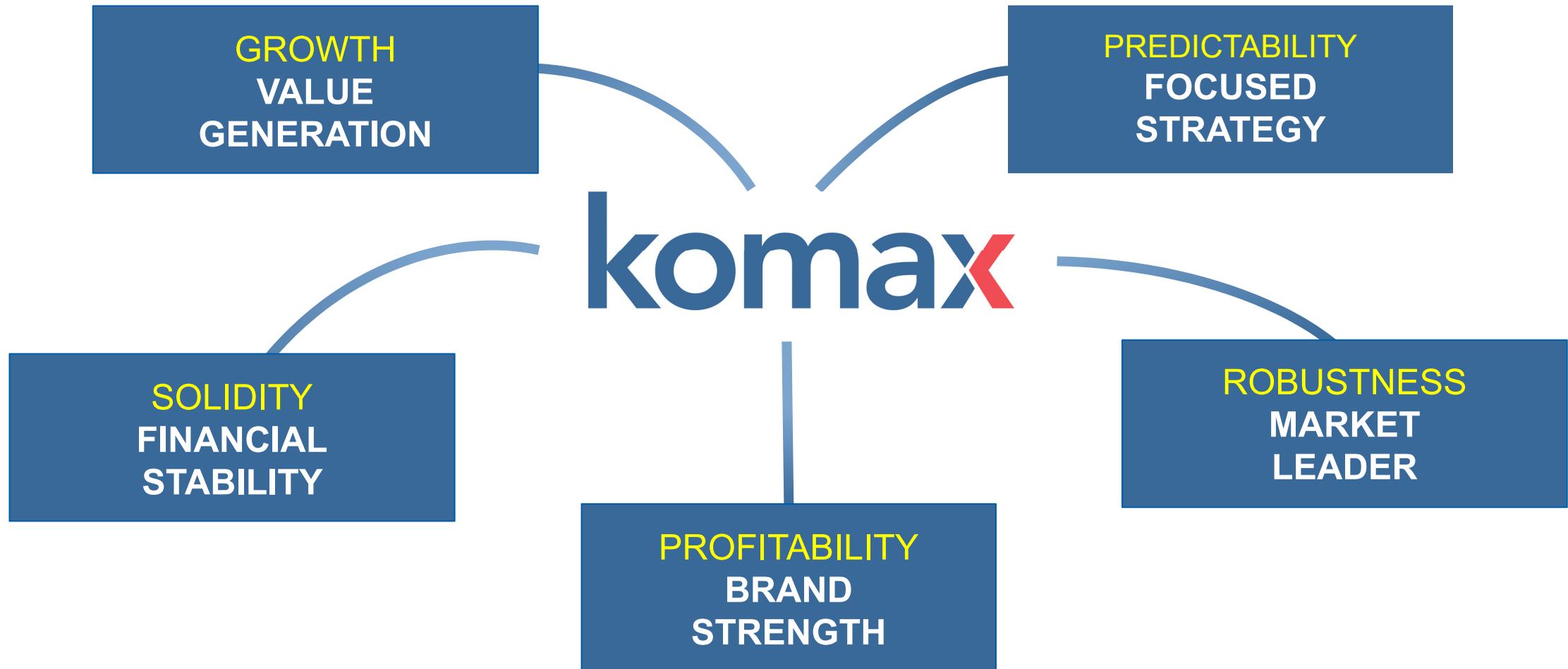


- Share price in 2018: –28.0% (2017: +27.2%)
- Steady expansion of shareholder base
 - 31.12.2018: 6027 shareholders
 - 31.12.2017: 5048 shareholders
 - 31.12.2016: 3150 shareholders

AGENDA

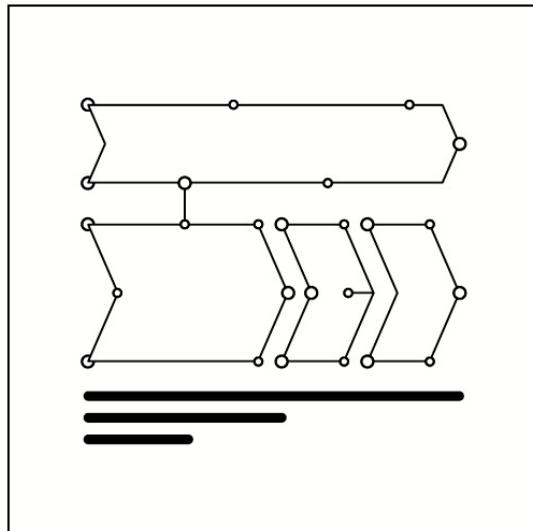
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We stand for...

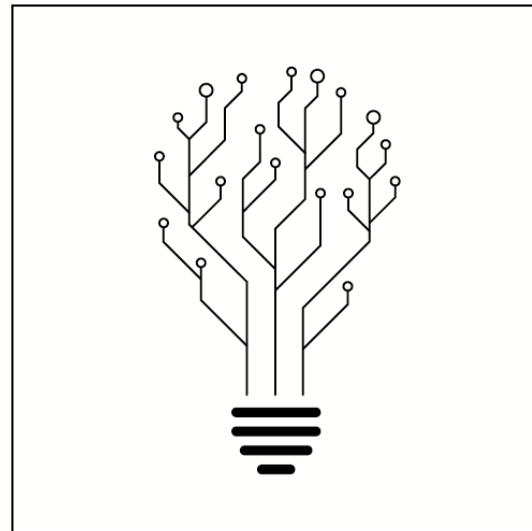


Focused strategy

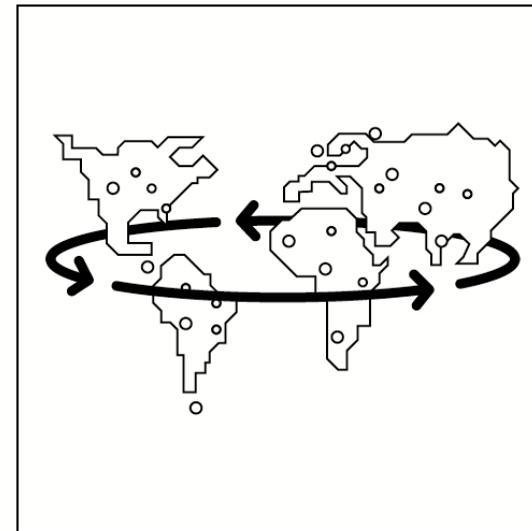
Four key priorities for the automation of wire processing



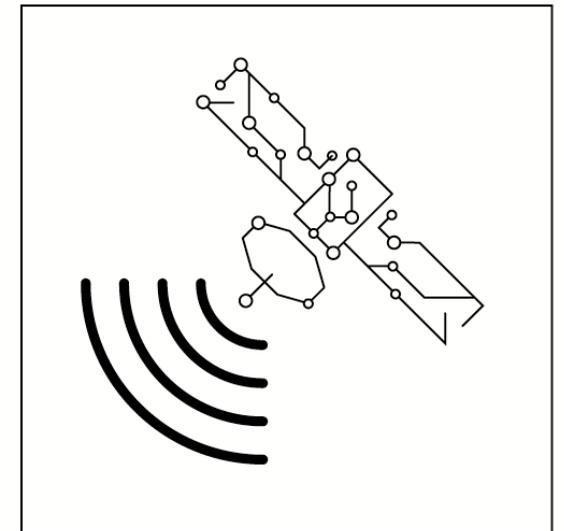
Solutions along the value chain



Innovative production concepts



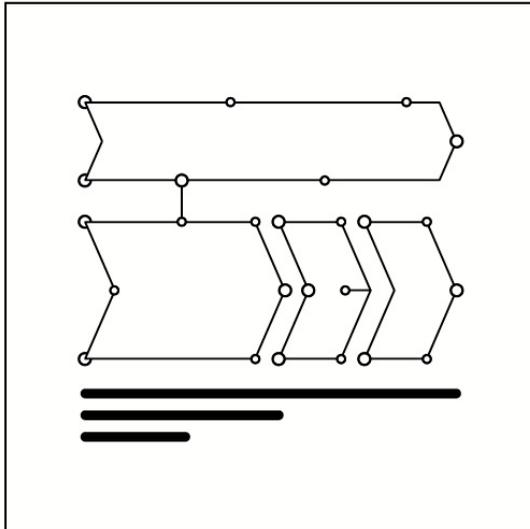
Global customer proximity



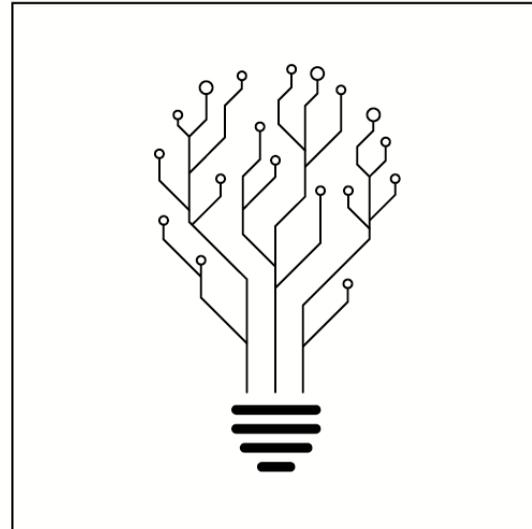
Development of non-automotive markets

Strategic priorities

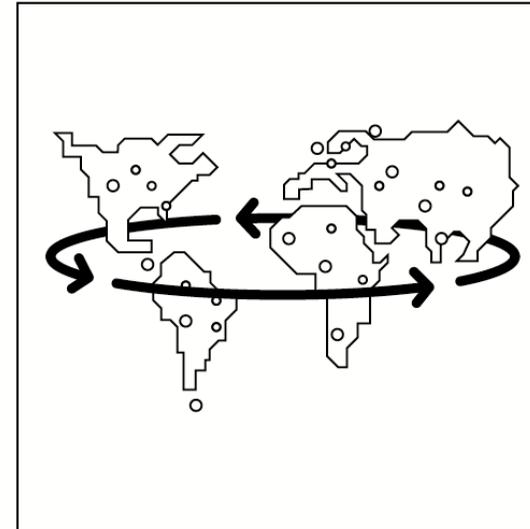
Solutions along the value chain



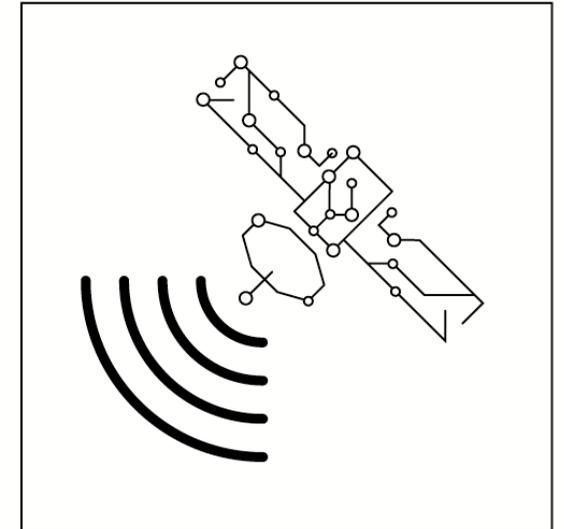
Solutions along the value chain



Innovative production concepts

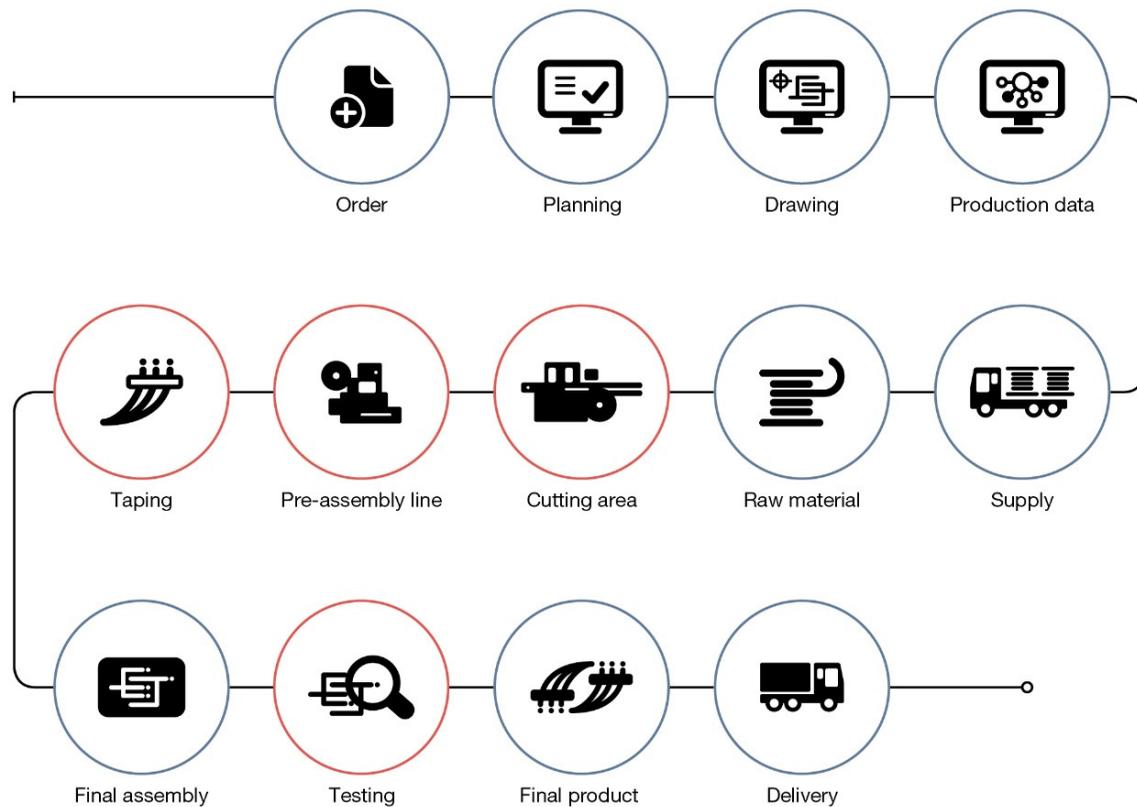


Global customer proximity

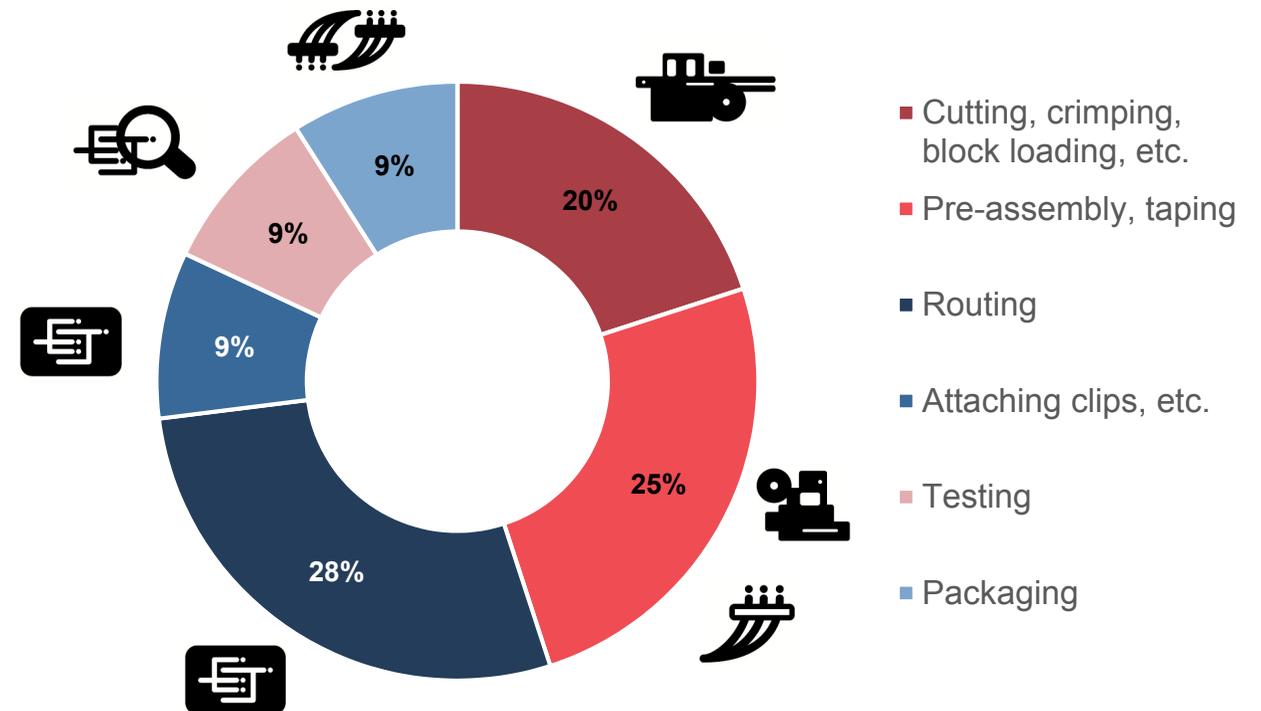


Development of non-automotive markets

Komax offers solutions for every stage of customers' value chain



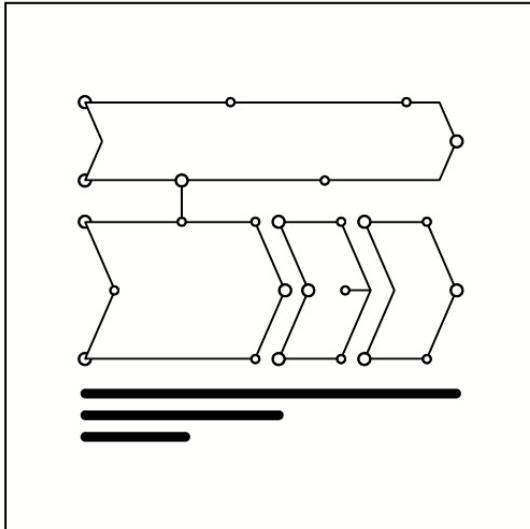
Proportion of time spent per wire harness



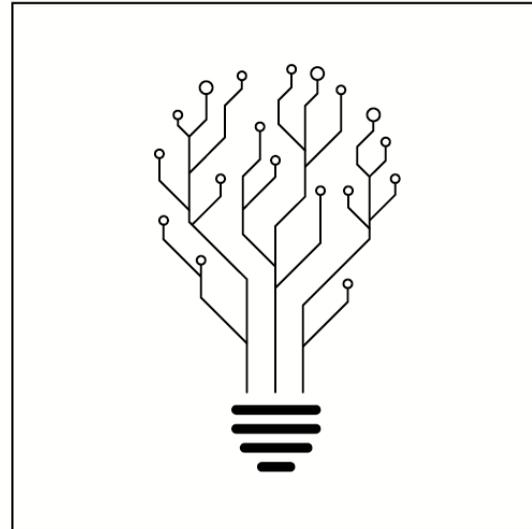
○ Komax automation solutions at work
 — Komax MES – Manufacturing Execution System

Strategic priorities

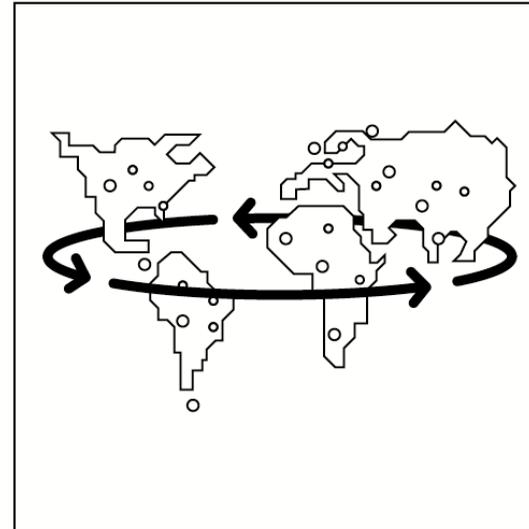
Innovative production concepts



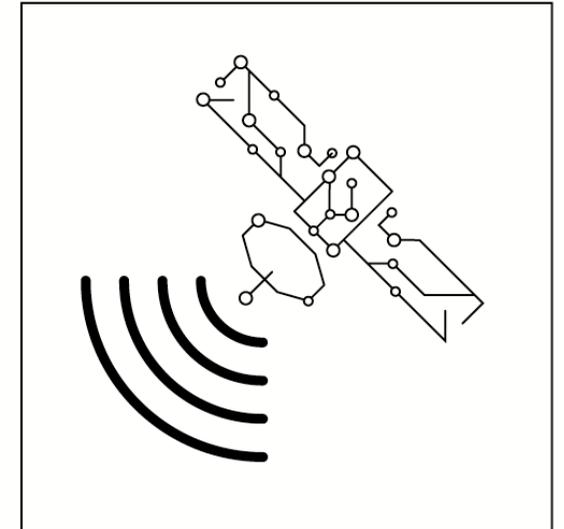
Solutions along the value chain



Innovative production concepts



Global customer proximity

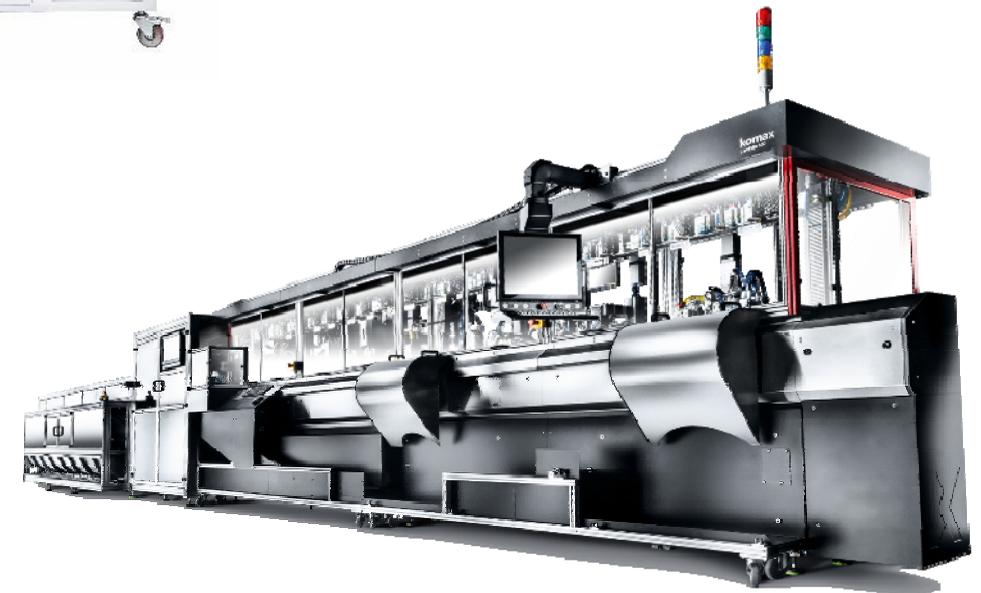


Development of non-automotive markets

Continued significant investment in R&D

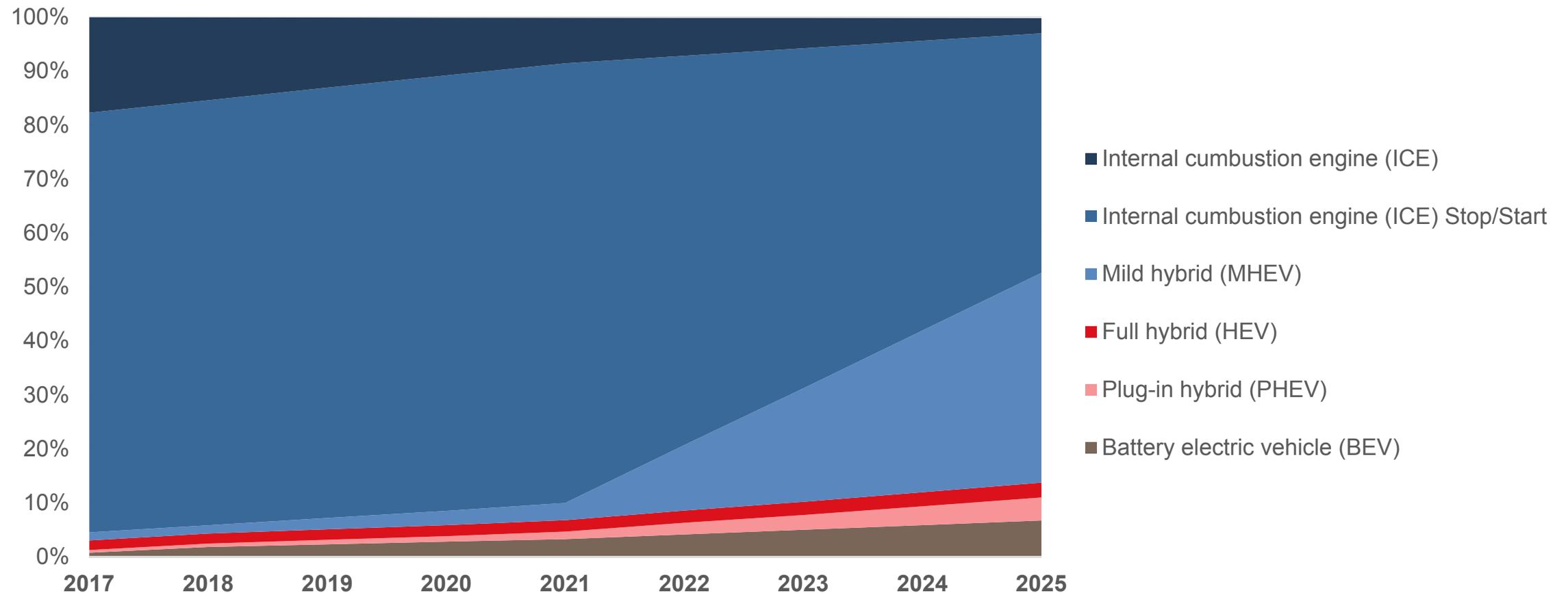


- Broadest product portfolio to meet changing market needs
- Launch of a number of new (digital) solutions to offer customers additional unique selling propositions



Development of e-mobility

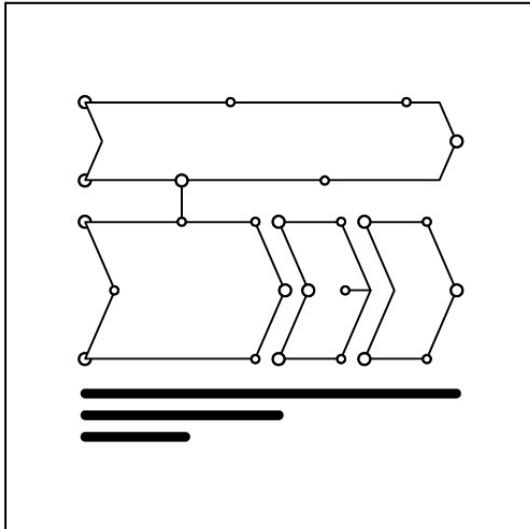
Center of competence at Komax Thonauer in Budakeszi (Hungary)



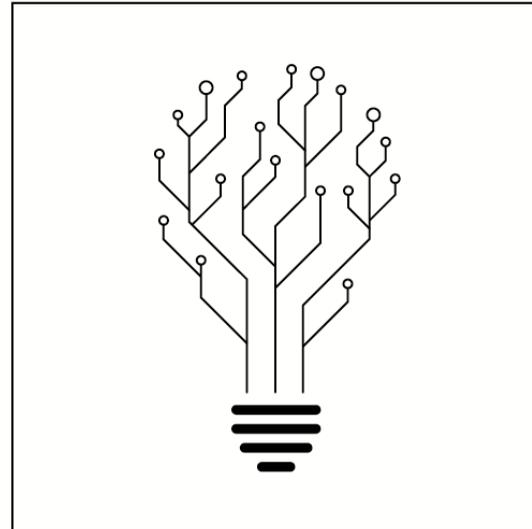
Source: IHS Markit / Komax

Strategic priorities

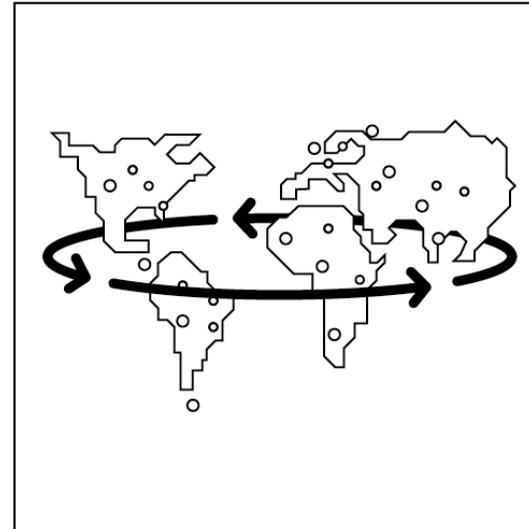
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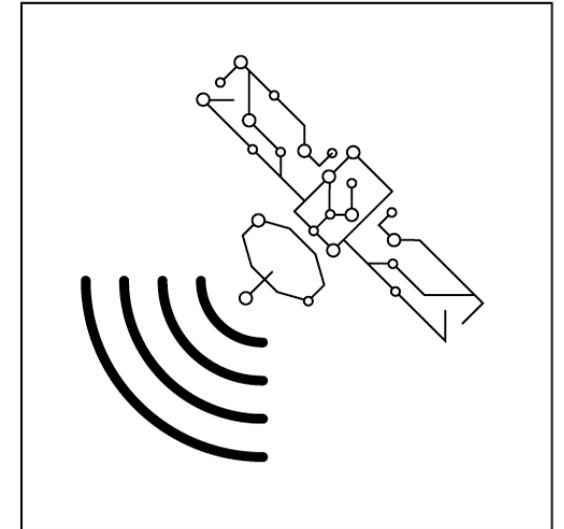
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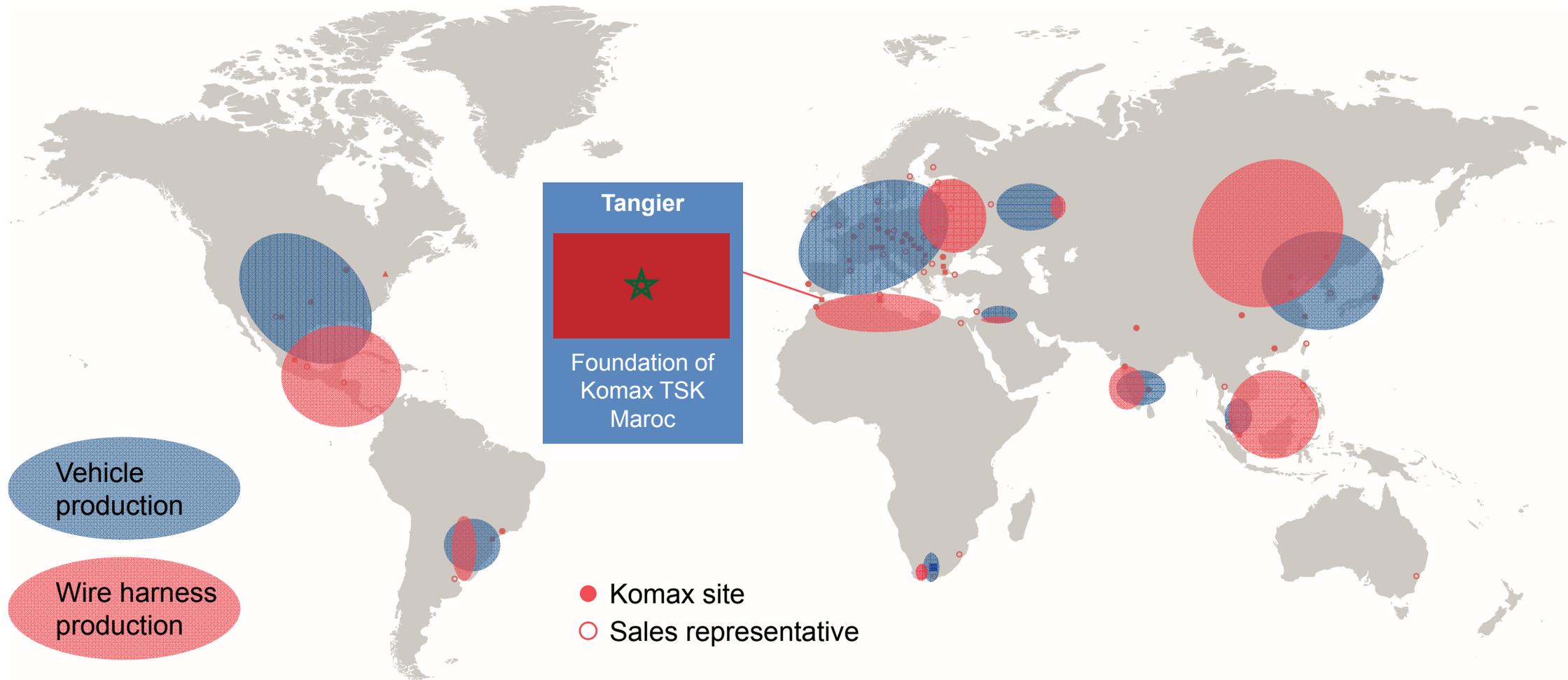
Global customer proximity



Development of non-automotive markets

Global local

The world's largest sales, engineering, and service network



Strengthening of position in North America



Acquisition of Artos Engineering and asset deal with TE Connectivity

- Founded in 1911
- Own product portfolio
- Wealth of experience in developing innovative applications
- Headquarters in Brookfield, Wisconsin (USA)
- 50 employees



- Deal completed end of 2018 with TE Connectivity's Application Tooling business unit



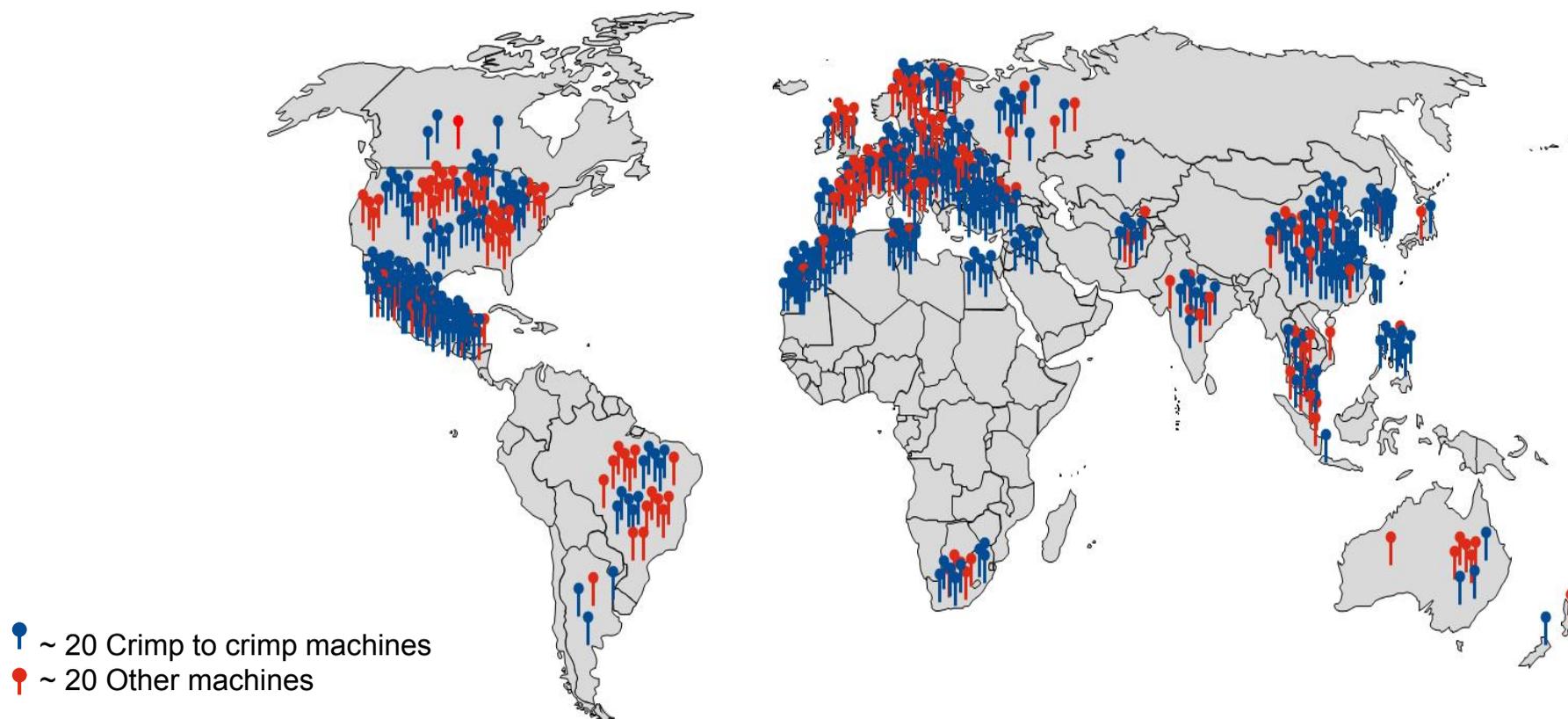
- Acquisition of distribution business for Komax machines in the USA, Canada, and Mexico



Largest installed base in the world

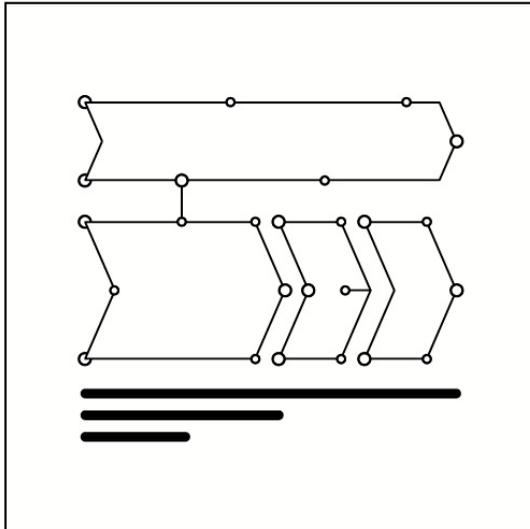
Komax machines on all continents

- Continuous recurring earnings create stability – even during brief downturns
- Diversified customer portfolio (including key accounts, small regional companies, all OEMs)

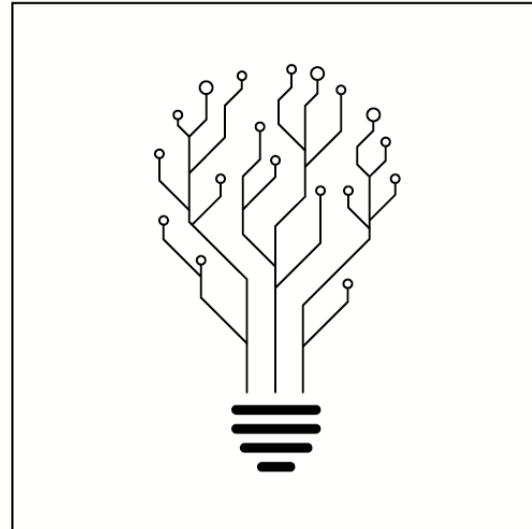


Strategic priorities

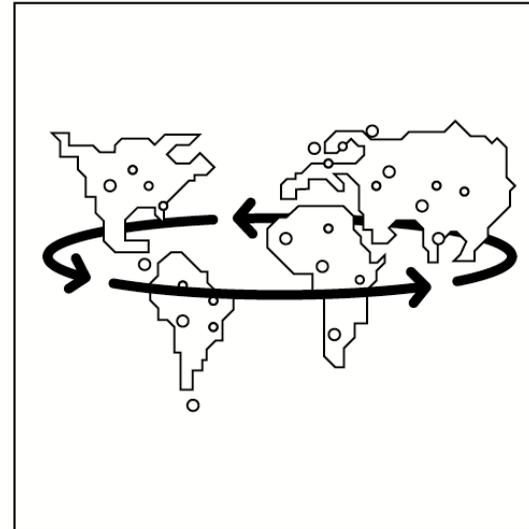
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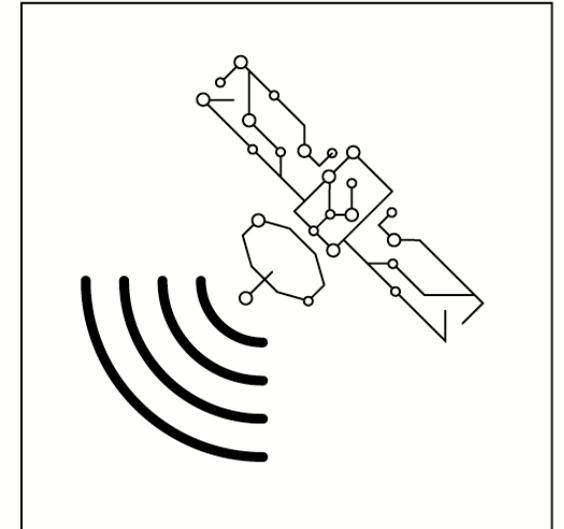
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Innovative production concepts



Global customer proximity



Development of non-automotive markets

Rigorous development of non-automotive markets



Aerospace



Data/Telecom

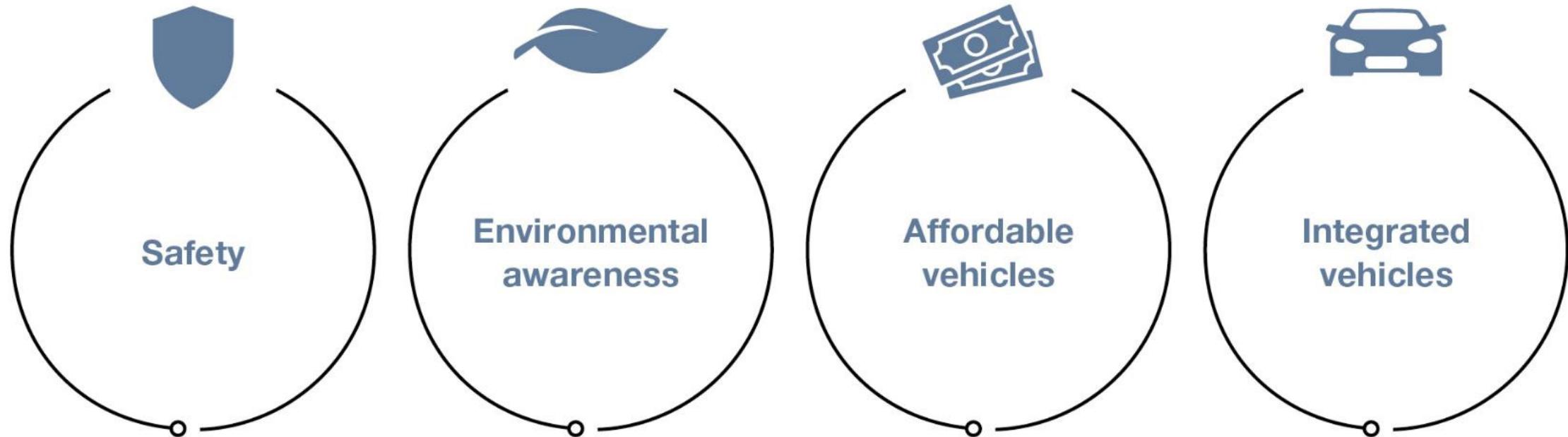


Industrial

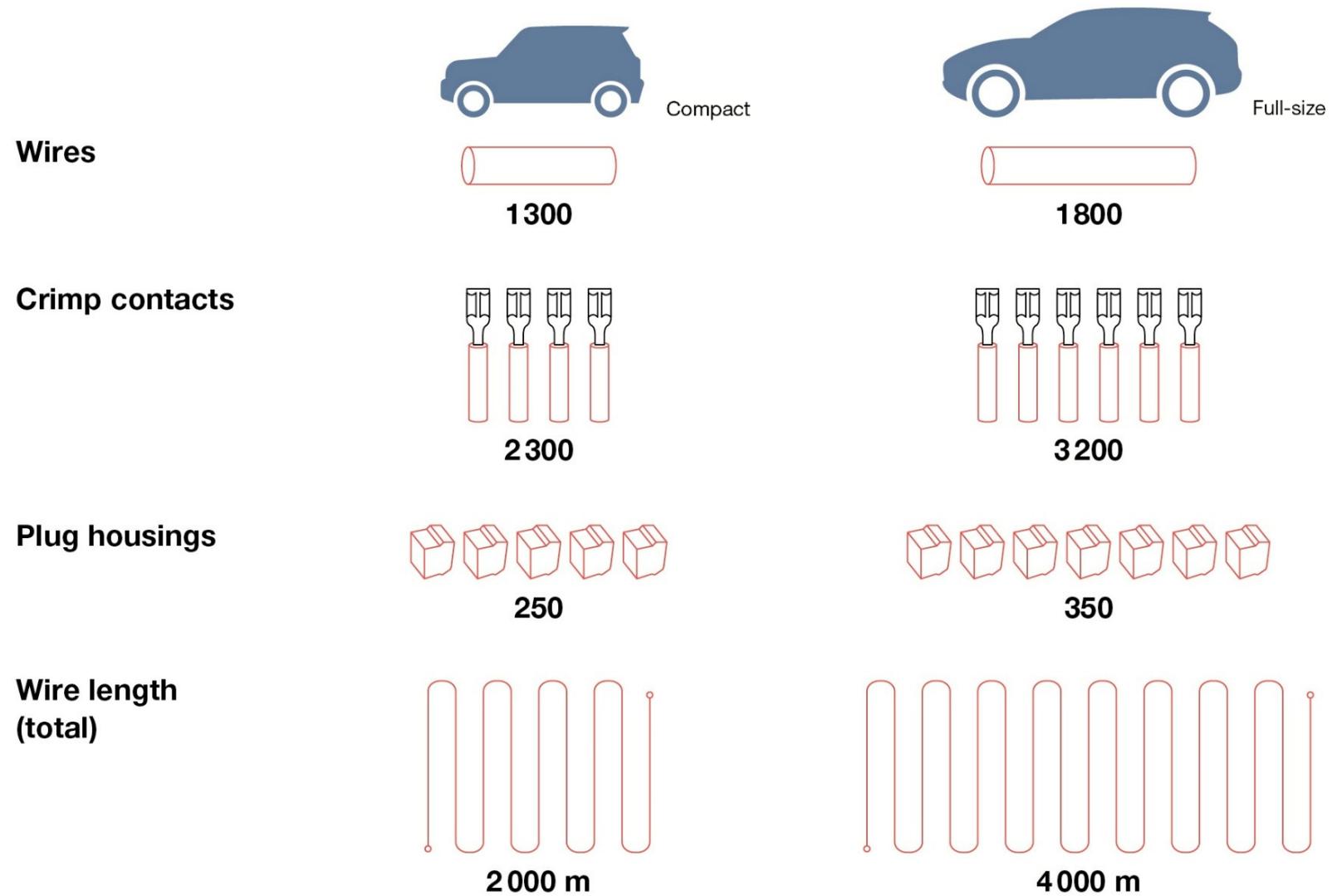
- Non-automotive markets make a substantial contribution to revenues, accounting for less than 20%
- Selective and complementary build-up of competencies in non-automotive areas supports success of core business

WHAT'S NEXT?

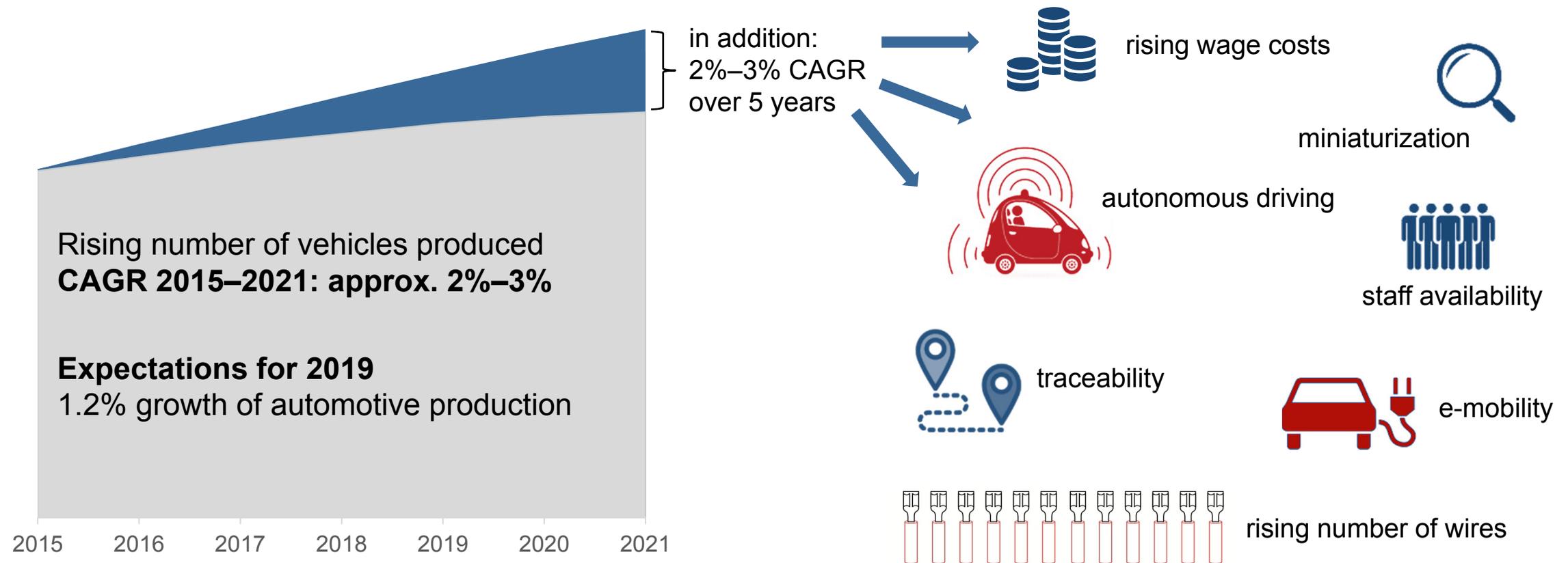
Global megatrends in the automotive industry



Increasing electrification



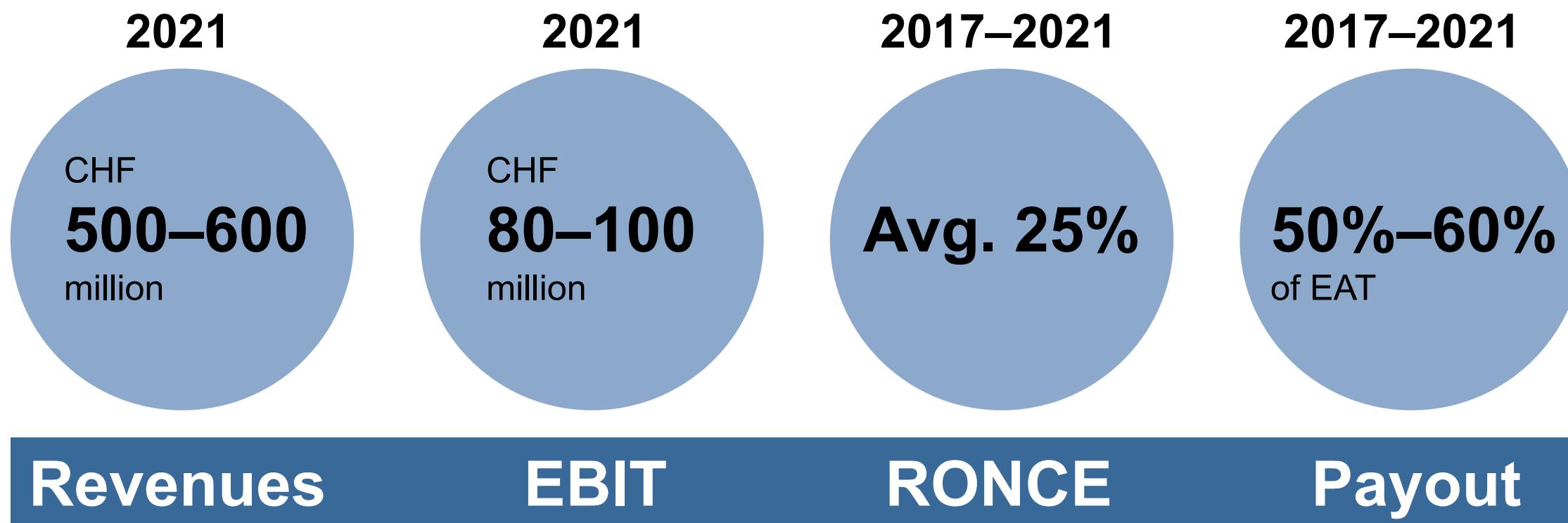
Constant rise in pressure to automate



Source: IHS Markit, Komax Market Research

2017–2021 strategy

ambitious targets, attractive dividend policy



AGENDA

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Priority areas 2019

- Mastering the challenges presented by the current market situation
- Strengthening global customer proximity (distribution/service)
- Creation of further unique selling propositions through research and development
 - Automation solutions
 - Quality products
 - Digital, connected solutions for smart factories
- Integration of Artos Engineering
- Further improvements in Operational Excellence
- Completion of construction projects for capacity expansion

Outlook

- The Komax Group continues to be well on track in the implementation of its 2017–2021 strategy.
- 2018 was a record year, enabling the Group to start off 2019 with strong order backlog.
- The uncertainty in the automotive industry means that investment decisions are being delayed. However, there is unrelenting pressure to shift from manual workstations to machines continue unabated.
- We expect that this dip is temporary and that the situation will improve over the course of the year.
- Given the unexpectedly weak order intake in the first two months of 2019, we anticipate a result for the first six months of the year that is markedly lower than the record 2018 result. We currently expect a drop in order intake and revenues of between 10% and 20%.
- Despite this temporary phase of weakness, however, we will continue to invest significant amounts in research and development as well as in digitalization in 2019 so that we remain successful over the long term.
- In light of these outlays, EBIT will experience a sharper year-on-year decline than revenues in the first six months of 2019.

Contact / Financial calendar



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Financial calendar

Annual General Meeting	16 April 2019
Dividend payment	24 April 2019
Half-year results 2019	20 August 2019
Preliminary information on 2019 financial year	28 January 2020
Annual media and analyst conference on the 2019 financial results	17 March 2020
Annual General Meeting	21 April 2020

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.

RESULTS 2018 AND OUTLOOK 2019

komax

14 March 2019