INTERVIEW

The integration of Schleuniger made very good progress in 2023. Even in the current challenging market situation, the Komax Group remains confident that it can leverage the existing growth potential and achieve its 2028 targets.

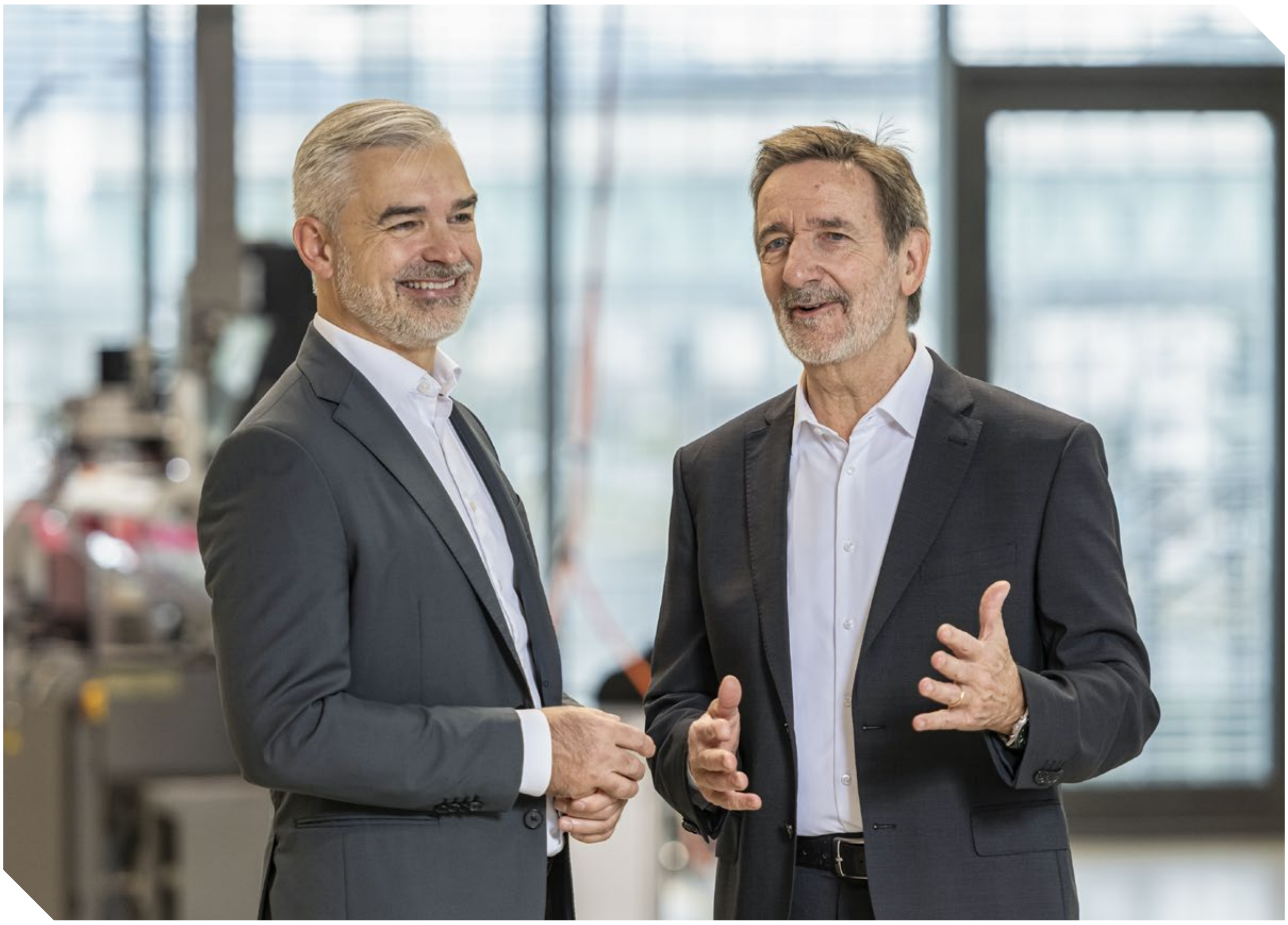
Matijas Meyer, the 2023 financial year did not develop as well as had been anticipated at the beginning of the year under review. Why was that?
Matijas Meyer: We recorded lower revenues in China in particular and received fewer orders than planned. We were on track for much of the year in Europe and North/South America. It was only toward the end of 2023 that our customers became noticeably more reticent about investing. Consequently, we fell just short of our original revenue target by CHF 20 million, or 2.5%.

Why did this shortfall of CHF 20 million reduce the EBIT margin so significantly?
Matijas Meyer: Our EBIT development depends very much on the product mix. Since the losses we sustained were primarily in our volume business, this had a disproportionately high impact on our EBIT figure. The strong appreciation in the Swiss franc in the second half of December was a further negative factor.

In 2023, almost 10% more vehicles were manufactured than in 2022. Why did the Komax Group not benefit even more from this increase in the number of wires needing to be processed?
Matijas Meyer: In 2022, Komax and Schleuniger received extraordinary orders totaling around CHF 100 million due to the outbreak of war in Ukraine. As this is where 7–8% of Europe's wire harnesses are manufactured, the automotive industry needed to protect its supply chain and consequently built up additional production capacities in other countries, in Eastern Europe and North Africa in particular. Over the course of 2023 it became apparent that there was excess capacity, as a large number of wire harnesses continued to be manufactured in Ukraine. Our customer base was able to use this to cover part of the growth in the vehicles manufactured without ordering additional machines from us.

Beat Kälin, the automotive market also grew in China, where the war in Ukraine has no direct impact. Is the Komax Group's positioning in China sufficiently strong to participate in this growth?
Beat Kälin: The Komax Group is our industry's number one in terms of revenues in China, too. Our customers there include a number of global and local wire harness manufacturers as well as a few big automotive manufacturers. If you compare the size of the market with our revenues in China, however, then it becomes apparent that our position is much stronger in other regions. This being the case, China is a focus area in our Strategy 2028, which we approved in 2023. We did this for two reasons: first, China offers us a great deal of growth potential and, second, the Chinese competition is becoming increasingly stronger.

How did this manifest itself in 2023?
Beat Kälin: Some of our customers are applying a second-source strategy, buying wire processing machines from a number of suppliers. Given that Schleuniger is no longer available as an option in addition to Komax, our customers are increasingly looking to Chinese providers. This intensifies the competitive situation, especially if only prices are being compared. Which all becomes relative as soon as the machines offered by the Komax Group and its competitors are compared in detail. This is why we have considerable challenges to meet in China to enable us to defend our position.

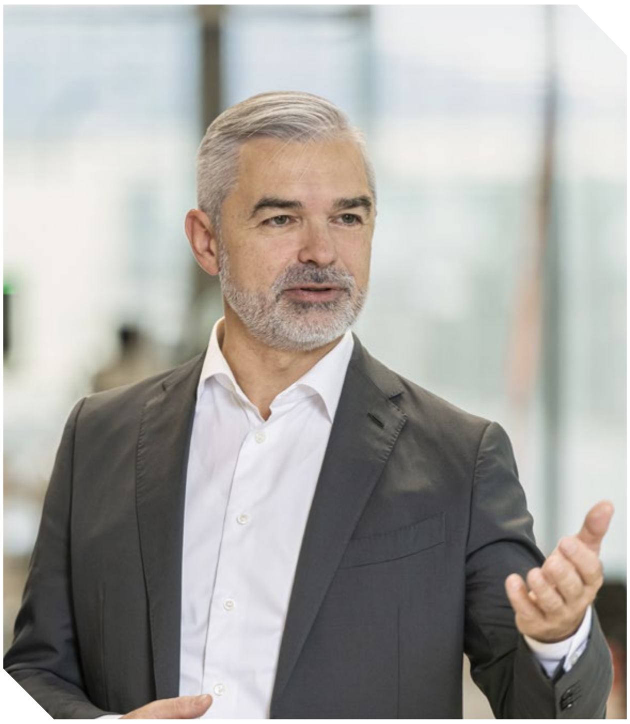


CEO Matijas Meyer (left) and Chairman of the Board of Directors Beat Kälin.

What does this mean in terms of strategy?
Beat Kälin: We have to be even closer to our customers in China, as speed is a key competitive factor. What this means specifically is that we increasingly manufacture the products destined for China and the wider Asian market directly in China and adapt them in line with local requirements. The Komax Group has already been manufacturing products and producing applications in China for years, and so it has the necessary experience. The combination with Schleuniger has also brought us additional expertise, with the manufacturing site in Tianjin. This will be further reinforced in the future. In other words, the localization of machines for the Asian market that I mentioned earlier will take place in Tianjin. The steps to implement this are already underway.

Will this be enough to increase the market share in China?
Beat Kälin: Our strategic focus areas encompass a whole host of measures to enable us to achieve our targets. Alongside the aforementioned localization, we would be open, for example, to acquisition-driven reinforcement in China if we were convinced that a company could make a material contribution to our sustainable, profitable growth strategy.

How is the integration of Schleuniger progressing?
Matijas Meyer: Overall, I am very satisfied. A number of teams are already so well blended that, for outsiders, it is probably no longer possible in many places to discern whether an individual employee originally came from Komax or Schleuniger. We migrated the Schleuniger companies to the Komax IT environment in 2023, thereby facilitating collaboration among employees.



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Matijas Meyer, CEO

What proved to be particularly important in the integration process in 2023?
Matijas Meyer: The top priority was not to lose any customers. We achieved that. Last year already, we managed to optimize almost the entire distribution network, which was an important factor in this. Prior to the combination, Schleuniger worked with 36 distributors worldwide. Although Komax also works with distributors, it has a far higher number of its own companies that take care of distribution and service locally. Now the focus has shifted to working out a solution for each individual country, so that ultimately all products from the entire Komax Group can be offered on a one-stop basis from a single source. Where there was both a Komax and a Schleuniger distributor in a country, it was not always easy to find a solution, but we have already come a long way.

Have you so far focused exclusively on distribution structures?
Matijas Meyer: Absolutely not. We also carried out an intensive analysis of the product portfolio, which has become even more comprehensive following the combination with Schleuniger. There is some overlap in individual product segments, and we are working on these. We are applying a "best of" strategy here, which means taking products off the market on a gradual basis. The remaining products will be developed further, some of them incorporating functions from products that have been discontinued. The optimization of the product portfolio will help to steadily reduce complexity and bring down maintenance costs, but it will take a few years before this process is complete.

The Komax Group announced its Strategy 2028 in 2023. Where does the strategy place the focus for achieving the targets set?
Beat Kälin: We want to continue to grow robustly and profitably, achieving revenues of CHF 1.0–1.2 billion in 2028, alongside an operating result of CHF 120–160 million. This corresponds to annual average growth in revenues of 6–9%. To meet this target, we have defined various focus areas. We have to expand the service business, which has consisted primarily of the spare parts business to date. As already mentioned, we also need to extend our business in Asia – in China in particular, but also in India. In addition, there is still considerable automation potential that we could better leverage in the Aerospace & Railway and Industrial & Infrastructure market segments. It is also crucial that we continue to bring onto the market solutions that offer our customers a genuine competitive edge, by – for instance – significantly increasing automation or ensuring quality assurance along the entire value chain.

ESG is an integral component of the new strategy for the first time. Why only now?
Beat Kälin: Environmentally sustainable business practices along with socially oriented and responsible company management have been anchored as core elements in our strategy for a good few years now. What's new is that we are now grouping these concepts together under the umbrella term "ESG" and communicating

more clearly that this forms the framework of our strategy. As part of this, we have defined 13 non-financial targets that we aim to achieve by 2028. We have also significantly expanded our ESG reporting and issued an ESG Report in accordance with GRI Standards.

What topics will be a high priority for you in 2024?
Matijas Meyer: The market situation is very challenging at the moment, as customers continue to be reticent about investing. This means we have to intensify our distribution activities and, wherever possible, reduce costs. We already started to do this in the second half of 2023. Alongside these aspects, a central element in my view is the implementation of our Strategy 2028. We have set ourselves ambitious financial targets and – as I see it – nothing has changed in terms of our ability to achieve them.

What makes you so confident despite the current difficulties in the market situation?
Matijas Meyer: We are operating in a growth market, as the trend toward automation is essentially intact. Since only 20% of wire processing is carried out by machines, there is enormous growth potential for us. The targeted revenues of over one billion Swiss francs in 2028 looks a long way off from where we are standing now, but at no point did we ever expect growth between 2024 and 2028 to be linear. The coming years will bring a number of exciting product launches, and these – coupled with many other strategic initiatives – will help us achieve our targets. On top of this, we will continue to optimize the Komax Group structurally so as to make the best possible use of the potential offered to us through the combination with Schleuniger.

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