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Media release

2019 annual financial statements of the Komax Group

Board of Directors confirms strategy and adapts mid-term targets

The 2019 financial year was marked by a sluggish automotive industry and the knock-on effects for the Komax Group: order intake (CHF 408.7 million), revenues (CHF 417.8 million), and EBIT (CHF 24.0 million) decreased considerably and were well below the record result achieved in 2018. In order to consolidate its leading market position over the long term, Komax invested heavily in research and development in 2019 too (9.9% of revenues). The Board of Directors has confirmed the growth strategy with the four key strategic priorities, but adapted the mid-term targets in view of the developments in the automotive market. It is proposing to the Annual General Meeting a dividend of CHF 1.80 per share, corresponding to a payout ratio of 52.3%.

2019 proved extremely challenging for Komax. Various geopolitical factors, including the trade dispute between the US and China, have left many customers unsure, causing them to hold back substantially on investments. This was largely also because the transition underway in the automotive industry (e-mobility, autonomous driving) has already called for sizeable investments and the sector overall is showing signs of weakness. The outcome for Komax was that projects were postponed throughout the year and the previous year's record result remained out of reach.

Order intake decreased by 17.7% to CHF 408.7 million (2018: CHF 496.7 million) and revenues by 12.9% to CHF 417.8 million (2018: CHF 479.7 million). Revenues were somewhat higher in the second half than in the first (first half 2019: CHF 203.3 million, second half 2019: CHF 214.5 million). This was partly due to the acquisitions of Artos Engineering and Exmore in 2019. The revenue result was attributable to a sizeable organic decline (–13.7%), acquisition-driven growth (+2.7%), and negative foreign currency effects (–1.9%). Order intake was slightly weaker in the second half (first half 2019: CHF 206.7 million, second half 2019: CHF 202.0 million).

Growth in North/South America

Komax achieves around 80% of revenues in the automotive industry. The general phase of weakness that the latter is facing was evident in virtually all regions in 2019. The only revenue growth reported by Komax was in North/South America. A contributory factor was the acquisition (effective 1 April 2019) of Artos Engineering, headquartered in Brookfield, Wisconsin, USA. The largest drop in revenues was experienced in Asia (–22.5%), where China accounts for the bulk of revenues. The economic slowdown, combined with the excess capacity built up in 2018, led to a distinct falloff in investments in automation solutions in China. Revenues in Europe (–16.8%) and Africa (–13.2%) were also down. The trend already in evidence in both regions for several years continued: with personnel resources becoming increasingly scarce in Eastern Europe, wire harness manufacturers are relocating part of their production to North Africa. Despite this shift, Europe remains Komax's strongest market by far, accounting for 42.7% of revenues. North/South America ranks second, with a share in revenues of 24.9%. Revenues were also lower in the aerospace, data/telecom, and industrial market segments, but less significantly so than in the automotive industry.

Profitability impacted by lower volume business and project business

“The decline in revenues was primarily a consequence of the sharp fall in demand for wire processing machines, which correlates directly to the number of vehicles produced. Investments relating to the structural changes in the automotive industry continued,” explains Matijas Meyer, CEO of the Komax Group. In 2019, some 89 million cars and light commercial vehicles were manufactured worldwide. This is 5.7% or approximately 5.5 million fewer vehicles than in the previous year. Since these machines, which are used for volume business, make a disproportionately high contribution to Komax’s operating profit (EBIT), it dropped 64.3% to CHF 24.0 million (2018: CHF 67.3 million). The EBIT margin narrowed from 14.0% to 5.8%. The foreign currency impact was negative, reducing the EBIT margin by 0.8 percentage points.

Profitability was also impacted by additional expenses in the high single-digit millions for individual customer-specific pioneer projects. “These major projects are predominantly connected with new technologies in the automotive industry that are required for fast large-scale data transmissions in vehicles. If highly automated or even autonomous driving is to become a reality, these new developments are vital and offer Komax considerable future growth potential,” says Matijas Meyer. Komax completed the majority of these multiyear pioneer projects in 2019 and expects to conclude the remainder in 2020.

Down the road too, Komax will respond to changes in the automotive industry and drive developments that secure long-term growth. In terms of project business, the company will focus, however, on orders with a lower risk profile. In 2019, Komax invested CHF 41.5 million (2018: CHF 41.1 million) in research and development, equivalent to 9.9% of revenues. Komax was able to showcase its technology leadership to impressive effect in 2019, with numerous market launches setting new standards in digital services, for instance, and the automated processing of high-voltage cables for electric vehicles.

Significant investment activity

Group profit after taxes (EAT) decreased by 74.5% to CHF 13.2 million (2018: CHF 51.8 million). “The result was impacted by the financial result of CHF –4.9 million (2018: CHF –5.2 million) and the high tax rate of 31.1% (2018: 17.0%), attributable mainly to non-capitalized tax-loss carryforwards. Over the medium term, Komax is expecting a tax rate in the vicinity of 20%,” says Andreas Wolfisberg, CFO of the Komax Group. Basic earnings per share came to CHF 3.44 (2018: CHF 13.52).

Komax’s financial base remains robust: as at 31 December 2019, shareholders’ equity totaled CHF 244.6 million (2018: CHF 281.6 million), while the equity ratio stood at 50.8% (2018: 60.8%). As a result of major investments in four new production and development buildings in Switzerland, Germany, and Hungary as well as two acquisitions, free cash flow amounted to CHF –36.9 million (2018: CHF –4.3 million). Net debt stood at CHF 106.2 million (2018: CHF 39.4 million).

Payout ratio of 52.3%

“The Board of Directors is proposing to the Annual General Meeting of 21 April 2020 a dividend of CHF 1.80 per share (2018: CHF 7.00), corresponding to a payout ratio of 52.3% (2018: 52.0%). Komax is thus achieving its strategic target of a payout ratio of 50%–60%,” says Beat Kälin, Chairman of the Board of Directors. Of the CHF 1.80 per share, CHF 0.20 will be distributed from capital contribution reserves. They are tax-free for natural persons domiciled in Switzerland who hold shares as part of their private assets.

Board of Directors adapts mid-term targets in line with developments in the automotive market

In 2020, vehicle production is likely to stagnate at the 2019 level or even drop, depending on the severity of the impact of the coronavirus. According to IHS Markit analyses, a return to slight growth can be expected from 2021 on. “In view of the current assessment of developments in the automotive markets over the next few years, the Board of Directors has decided to adapt its mid-term targets (2017–2021) and define a new time horizon, namely 2023,” says Beat Kälin. “The Board confirms the strategy that has been pursued so far, and continues to expect that Komax will not only participate in the growth of the automotive market (number of vehicles produced), but will also capture additional growth of at least 2%–3% as a result of the trend towards automation.” Komax is seeking to achieve the following targets for 2023: revenues of CHF 450–550 and EBIT of CHF 50–80 million, as well as a payout ratio of 50%–60% of EAT. A RONCE target will not be communicated in the future. Komax's strategy is based on four key strategic priorities: solutions along the value chain, innovative production concept, global customer proximity, and development of non-automotive markets.

Outlook

“The Komax Group’s medium- and long-term growth outlook remains positive as customers continue to target a significant increase in the level of automation in wire processing going forward,” says Matijas Meyer. “What is more, trends such as autonomous driving and e-mobility will power growth at Komax. That said, we will suffer over the short term as the entire automotive industry comes under enormous pressure to adapt its value chain. We expect 2020 to be another challenging year. For this reason, we have already initiated measures to reduce costs over the long term.” In addition, Komax is adapting its structures to be even better aligned with momentum in the markets. Since business development visibility is very low and the implications of the coronavirus outbreak are presently impossible to gauge, a forecast can currently not be made for the 2020 financial year.

Financial calendar

Annual General Meeting	21 April 2020
Dividend payment	27 April 2020
Half-year results 2020	18 August 2020
Investor Day	23 October 2020
Preliminary information on 2020 financial year	26 January 2021
Annual media and analyst conference on the 2020 financial results	16 March 2021

The 2019 annual report can be downloaded from www.komaxgroup.com/annual-report.

Mid-term targets

	2023	2019
Revenues (in CHF million)	450–550	417.8
EBIT (in CHF million)	50–80	24.0
	2017–2023	2019
Payout ratio (in % of EAT)	50–60	52.3

Key figures of the Komax Group

in TCHF	2019	2018	+/- in %
Order intake	408,682	496,683	-17.7
Revenues	417,771	479,698	-12.9
EBITD	36,837	78,614	-53.1
in % of revenues	8.8	16.4	
Operating profit (EBIT)	24,035	67,254	-64.3
in % of revenues	5.8	14.0	
Group profit after taxes (EAT)	13,221	51,787	-74.5
in % of revenues	3.2	10.8	
Free cash flow	-36,886	-4,340	749.9
Research and development	41,531	41,051	1.2
in % of revenues	9.9	8.6	
Total assets	481,236	462,904	4.0
Shareholders' equity ¹	244,604	281,640	-13.2
in % of total assets	50.8	60.8	
Net debt (-) / net cash (+)	-106,224	-39,358	169.9
Headcount as at 31 Dec. (No.)	2,211	2,006	10.2

¹ Equity attributable to shareholders' of Komax Holding AG.

Komax registered share: key data

	2019	2018
Number of shares as at 31 Dec.	3,850,000	3,847,510
Basic earnings per share in CHF	3.44	13.52
Distribution per share in CHF	1.80 ¹	7.00
Dividend yield as at 31 Dec. in %	0.8 ¹	3.0
P/E (price-earnings ratio) as at 31 Dec.	68.7	17.0
Market capitalization as at 31 Dec. in CHF million	910.1	884.9

¹ Proposal of Board of Directors of Komax Holding AG to the Annual General Meeting.

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Komax is a globally active technology company 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 more than 2200 people worldwide and provides sales and service support via subsidiaries and independent agents in more than 60 countries.