

Dierikon, 20 March 2018

## Media release

2017 annual financial statements of the Komax Group

### **Strong growth in order intake, revenues and Group profit after taxes – high level of investment in research and development**

**In 2017, the Komax Group further expanded its position as market and technology leader. This is reflected in the high order intake of CHF 449.7 million (+21.5%) and the increase in revenues to CHF 408.5 million (+9.6%). To further reinforce its leading position, Komax invested CHF 7.6 million more in research and development than in 2016 (+26.1%). Despite this sharp rise in proactive investment, Komax recorded an operating profit (EBIT) that was on a par with the prior year, at CHF 55.1 million (–0.6%), and increased Group profit after taxes (EAT) by 8.8% to CHF 42.1 million. Komax considers itself to be on track with implementation of its 2017–2021 strategy, and takes an optimistic view of business development in 2018. The Board of Directors is proposing to the Annual General Meeting an unchanged distribution of CHF 6.50 per share. The payout ratio of 59.2% is at the upper end of the strategic bandwidth of 50%–60%.**

The sharp rise in both order intake and revenues underlines the point: Komax once again grew more strongly than the market in 2017. While revenues increased by 9.6% to CHF 408.5 million (2016: CHF 372.7 million), the order intake rose by as much as 21.5% to CHF 449.7 million (2016: CHF 370.2 million). The growth in revenues comprises internal growth (+6.0%) and acquisition-driven growth (+2.2%), as well as the positive foreign currency influence (+1.4%). In 2017, Komax changed its accounting standard from IFRS to Swiss GAAP FER, and revised the prior-year figures accordingly. These prior-year figures now exclude both the revenues (CHF 19.1 million) and the order intake (CHF 9.3 million) of the Medtech business unit, which was sold in April 2016.

Europe (+8.0%), Asia (+10.3%), and Africa (+47.1%) all contributed to the strong revenue growth. By contrast, Komax recorded a slight decline in revenues in North/South America (–2.1%). However, following a sharp decline in the first half of the year (–5.8%), North/South America then recovered in the second half, almost reaching the prior-year level. In the US in particular, investment activity picked up as the year progressed, with the result that the decline in revenues in the earlier part of the year was partly reversed. “The new Alpha 530/550 machine platform for the core business of Komax (crimp to crimp) penetrated the market in all regions in 2017, making a significant contribution to growth. In addition, our customers responded to the various new solutions we launched in 2017 – which cover the entire value chain – very rapidly and positively,” explains Komax Group CEO Matijas Meyer.

#### **26% rise in R&D expenditure**

In order to further expand its leading position over the next few years, Komax invested CHF 36.7 million in research and development (R&D). This equates to 9.0% of revenues (2016: 7.4%), and an increase of CHF 7.6 million on the previous year. The two acquisitions executed in 2017 (Laselec and Practical Solution) also contributed to this increase. Issues such as electro-mobility and autonomous driving give Komax further opportunities to develop

unique selling propositions. Komax is keen to grasp these opportunities, which is why it intends to channel some 8%–9% of revenues into research and development over the coming years too.

Despite this significant rise in proactive investment to ensure a sustainably successful future, Komax nonetheless generated operating profit (EBIT) of CHF 55.1 million, thereby essentially matching the prior-year figure (CHF 55.4 million). The additional R&D expenditure had the effect of reducing the EBIT margin by 1.8 percentage points. Yet despite this, Komax was still able to report an EBIT margin of 13.5% in 2017 (2016: 14.1%). With R&D expenditure at prior-year level, the EBIT margin would have been 15.3%. Given that new technologies such as electro-mobility and autonomous driving are causing radical upheaval in the automotive sector, Komax can benefit from opportunities for further unique selling propositions. “We have to invest in research and development now if we are to expand our leadership position further,” explains Matijas Meyer. “In the short term, this means we will have to accept slightly less strong growth in EBIT. I am convinced that this investment will pay off in the medium to long term, thus enabling us to achieve our ambitious 2021 financial targets.”

### **Long delivery times of customer-specific systems**

Another drag on profitability was the strong increase in inventories to CHF 92.0 million (2016: CHF 70.4 million). Around half of this increase relates to machinery that is now either complete or nearly complete, but has yet to be converted into revenues. This delayed conversion into revenue is one of the reasons for the Group’s high book-to-bill ratio of 1.10 (2016: 0.99). Another contributory factor was the large number of customer-specific systems ordered in 2017. Orders of this type tend to have longer delivery times than serial production machines. A good example of this is the large order received by Komax at the end of 2017 from the aerospace industry. The delivery of this corresponding systems to automate wire processing customer will extend over the years 2018 to 2020. This large order represents a milestone both for Komax and for the aerospace industry. For Komax, this is the first order worth millions from this market segment, while for the aerospace industry the degree of automation in wire processing that will be achieved through the ordered systems represents a pioneering development.

### **Financial base remains strong**

Group profit after taxes (EAT) rose by 8.8% to CHF 42.1 million (2016: CHF 38.7 million). This result was reduced by the sum of CHF 3.6 million as a result of a value adjustment on a loan to an associated company. By making this value adjustment, Komax has drawn a line under the participation that dates back to the Komax Solar era.

Komax continues to be very robustly financed. As at 31 December 2017, shareholders’ equity totaled CHF 258.2 million (2016: CHF 246.2 million) while the equity ratio stood at 62.3% (2016: 68.9%). Free cash flow amounted to CHF –7.6 million (2016: CHF 0.4 million), while net debt stood at CHF 10.5 million (2016: net cash of CHF 17.0 million).

### **Investment in capacity expansion**

Both the two acquisitions made in 2017 and the investment in capacity expansion had an impact on free cash flow. Thanks to the takeover of the assets of Practical Solution (as per 3 March 2017), Komax has strengthened its position in the growing market in Asia, acquiring a third Asian development site in Singapore to join its existing sites in Shanghai and Tokyo. To strengthen its presence in the aerospace market segment, Komax acquired Laselec SA as per 1 October 2017; this French company develops laser-supported solutions for the stripping and marking of wires and intelligent assembly boards for wire harness production.

“In order to deliver the growth we have planned for the coming years, we are investing in the expansion of our production capacity in a targeted way,” says Matijas Meyer. “In 2017, work began on a new building at the Group’s headquarters in Switzerland, and three further construction projects are planned for 2018 – two in Germany, and one in Hungary. In total, we will be investing more than CHF 90 million in new infrastructure between 2017 and 2019.” The new building in Switzerland should be ready for occupation in the second half of 2019, while the three other buildings are expected to be ready towards the end of 2018.

### **High payout ratio**

“The Board of Directors is proposing to the Annual General Meeting an unchanged distribution of CHF 6.50 per share. This represents a substantial payout ratio of 59.2%,” says Beat Kälin, Chairman of the Board of Directors. Due to the strong result and the positive outlook, the proposed distribution is at the upper end of the strategic bandwidth of 50%–60%. “It’s a very positive sign that we are able to distribute more than 59% of profit to our shareholders despite this high level of investment,” says Beat Kälin. The distribution comprises a dividend of CHF 5.00 and a distribution from capital contribution reserves of CHF 1.50. The latter is tax-free for persons domiciled in Switzerland who hold shares as part of their private assets. The dividend yield (calculated on the basis of the 2017 year-end closing price of the Komax share) amounts to 2.0%.

The sales of the Solar business unit in October 2014 and of the Medtech business unit in April 2016 were accompanied by a reduction in the size of the Executive Committee to two members (CFO and CEO). In light of the strong growth and the need to ensure continued good corporate governance, Komax is planning to promote to the Executive Committee, with effect from 1 January 2019, the heads of three business areas that focus primarily on the development and production of automation solutions along the value chain. The Board of Directors is thus proposing to the Annual General Meeting a total compensation amount payable to an Executive Committee comprising five members in respect of the 2019 financial year.

### **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.

### Strategic targets 2017–2021

	2021	2017
Revenues (in CHF million)	500–600	408.5
EBIT (in CHF million)	80–100	55.1

  

	2017–2021	2017
RONCE (in %)	Avg. 25	23.8
Payout ratio (in % of EAT)	50–60	59.2

### Key figures of the Komax Group

in TCHF	2017	2016 <sup>1</sup>	+/- in %
Order intake <sup>2</sup>	449,736	370,246	21.5
Revenues <sup>3</sup>	408,509	372,749	9.6
EBITD	66,115	64,420	2.6
in % of revenues	16.2	16.4	
Operating profit (EBIT)	55,069	55,424	-0.6
in % of revenues	13.5	14.1	
Group profit after taxes (EAT)	42,101	38,703	8.8
in % of revenues	10.3	9.9	
Free cash flow	-7,582	441	-1,819.3
Research and development	36,668	29,071	26.1
in % of revenues	9.0	7.4	
Total assets	414,458	357,060	16.1
Shareholders' equity <sup>4</sup>	258,178	246,174	4.9
in % of total assets	62.3	68.9	
Net debt (-) / net cash (+)	-10,544	17,008	-162.0
Headcount as at 31 Dec. (No.)	1,841	1,633	12.7

<sup>1</sup> 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.

<sup>2</sup> The CHF 9.3 million in order intake from the Medtech business unit, which was sold in April 2016, are not included.

<sup>3</sup> The CHF 19.1 million in revenues from the Medtech business unit, which was sold in April 2016, are not included.

<sup>4</sup> Equity attributable to equity holders of the parent company.

## Key data Komax registered share

	2017	2016 <sup>1</sup>
Number of shares as at 31 Dec.	3,834,482	3,774,148
Basic earnings per share in CHF	11.05	10.34
Distribution per share in CHF	6.50 <sup>2</sup>	6.50
Dividend yield as at 31 Dec. in %	2.0 <sup>2</sup>	2.6
P/E (price-earnings ratio) as at 31 Dec.	28.9	24.3
Market capitalization as at 31 Dec. in CHF million	1,225.1	948.3

<sup>1</sup> 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.

<sup>2</sup> Proposal of Board of Directors of Komax Holding AG to the Annual General Meeting.

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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

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The 2017 annual report can be downloaded from [www.komaxgroup.com/annual-report](http://www.komaxgroup.com/annual-report).

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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 1800 people worldwide and provides sales and service support via subsidiaries and independent agents in more than 60 countries.