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Media release

2018 annual financial statements of the Komax Group

Komax achieves a significant increase in order intake, revenues and profitability and is proposing a dividend increase

The Komax Group posted a record result in 2018, thereby further strengthening its leading market position. Order intake was up 10.4% at CHF 496.7 million, while revenues rose 17.4% to CHF 479.7 million. To ensure that it continues to grow and shape the industry on the technology front, Komax placed a strong focus on investment: in research and development, in digitalization and in several projects aimed at capacity expansion. Despite a high level of proactive investment, Komax increased profitability in 2018. At CHF 67.3 million, operating profit (EBIT) was up 22.1%, while Group profit after taxes (EAT) increased by 23.0% to CHF 51.8 million. The Board of Directors is proposing to the Annual General Meeting a dividend increase from CHF 6.50 to CHF 7.00 per share. The dividend yield thus equates to an attractive 3.0%.

As in past years, Komax outstripped growth in the market in 2018. Order intake increased by 10.4% to CHF 496.7 million (2017: CHF 449.7 million), while revenues rose by 17.4% to CHF 479.7 million (2017: CHF 408.5 million). The growth in revenues comprises a very high level of internal growth (+13.9%), acquisition-driven growth (+1.7%), and the positive impact of foreign currencies (+1.8%). Growth remained high throughout the year. Order intake dipped slightly towards the end of the year and was consequently higher in the first six months (first half 2018: CHF 256.0 million, second half 2018: CHF 240.7 million). Given the extremely strong order backlog, this did not impact revenues, which were marginally higher in the second half of the year (first half 2018: CHF 236.9 million, second half 2018: CHF 242.8 million). The book-to-bill ratio was 1.04 at the end of 2018.

Strong growth in all regions

“In 2018, we again benefited from having the broadest product portfolio and being able to offer our customers a wide spectrum of automation solutions along the value chain,” says Matijas Meyer, CEO of the Komax Group. This produced strong growth in all regions. Africa saw the highest rate of growth (+49.8%), as the trend witnessed last year in the region continued: a number of harness manufacturers expanded their presence in North Africa due to the difficulties encountered in securing sufficient personnel in Eastern Europe. Despite this shift, Europe – Komax’s strongest region by far with 44.7% of revenues – also recorded growth of 3.0%. Business expanded strongly in North/South America (+29.0%) and Asia (+26.5%). While Asia continued to build on the growth trajectory witnessed over previous years, North/South America recovered from the temporary weak spell in 2017 (–2.1%), when investment activity in the United States in particular was very low over the first six months.

Increasing profitability

Komax not only posted strong growth in 2018, it also secured a sharp rise in profitability. Operating profit (EBIT) was up 22.1% to CHF 67.3 million (2017: CHF 55.1 million) and the EBIT margin increased from 13.5% to 14.0%. This increase is notable in that the impact of foreign currencies was significantly lower than in the previous year. Whereas in 2017 positive foreign

currency effects pushed up the EBIT margin by 1.0 percentage points, in 2018 the rise amounted to only 0.2 percentage points. The impact was substantially more positive in the first six months of the year, at +1.3 percentage points.

Komax also increased Group profit after taxes (EAT), which was up 23.0% to CHF 51.8 million (2017: CHF 42.1 million) despite a financial result of CHF –5.2 million (2017: CHF –0.8 million). More than 50% of this financial result is attributable to unrealized book losses on currencies of emerging markets (including Brazil and Turkey) in which Komax has production operations. Basic earnings per share increased to CHF 13.52 (2017: CHF 11.05).

Komax's financial base continues to be very robust: as at 31 December 2018, shareholders' equity totaled CHF 281.6 million (2017: CHF 258.2 million), while the equity ratio stood at 60.8% (2017: 62.3%). Free cash flow amounted to CHF –4.3 million (2017: CHF –7.6 million) and net debt was CHF 39.4 million (2017: CHF 10.5 million).

Additional unique selling propositions

The automotive industry, Komax's most important market segment at over 80% of revenues, is currently in a state of upheaval. Amid this upheaval, themes such as e-mobility, autonomous driving, and digitalization are an opportunity for Komax to develop additional unique selling propositions. This is why Komax is currently carrying out a high level of proactive investment, with expenditure of CHF 41.1 million (2017: CHF 36.7 million) in research and development in 2018. This corresponds to 8.6% of revenues and is therefore within the strategic bandwidth of 8%–9%. In order to effectively channel the growth that is becoming apparent for the coming years, Komax is expanding its capacities at four production and development sites – one in Switzerland, one in Hungary and two in Germany. Construction activity has been underway at these four sites since 2017/2018 and will be completed on a staggered basis by the end of 2019. Given that certain delays were experienced, some investments originally planned for 2018 were rescheduled for 2019.

“Our objective in investing such significant amounts in research and development is to enable our customers to continually increase their level of automation in wire processing. Independently of the number of vehicles manufactured each year, our customers are experiencing substantial pressures to increase automation,” explains Matijas Meyer. The key factors behind this are rising wage costs, a lack of staff availability, miniaturization in cables, and the need for traceability of individual process steps for quality assurance reasons.

Attractive dividend yield

“Based on the pleasing result for 2018, the Board of Directors is proposing to the Annual General Meeting of 16 April 2019 a dividend increase from CHF 6.50 to CHF 7.00 per share. This corresponds to a payout ratio of 52.0%. Despite the currently very high level of investment in planned capacity expansion, Komax is achieving its strategic target of a payout ratio of 50%–60%,” says Beat Kälin, Chairman of the Board of Directors. Of the CHF 7.00 per share, CHF 0.80 will be distributed from capital contribution reserves and will therefore be tax-free for natural persons domiciled in Switzerland who hold the shares as part of their private assets. The dividend yield (calculated on the basis of the 2018 year-end closing price of the Komax share) amounts to an attractive 3.0%.

Changes in the Board of Directors

After 14 years on the Board of Directors, the last five of which as Vice-Chairman, Daniel Hirschi has decided not to stand for re-election at the 2019 Annual General Meeting. The Board of Directors and Executive Committee wish to thank him most sincerely for his many years of commitment to Komax. The Board of Directors is proposing to the Annual General Meeting that Dr. Mariel Hoch be appointed as a new member of the Board. Dr. Mariel Hoch's

primary area of specialization is M&A transactions, and she advises listed companies on corporate and regulatory matters.

Outlook

The Komax Group remains on track in the implementation of its 2017–2021 strategy and is confident that it will achieve its ambitious targets. 2019 is set to be a very challenging year, however. 2018 was a record year and Komax started 2019 with strong order backlog. A variety of economic and political factors in the individual regions are currently fuelling substantial uncertainty in the automotive industry. “This is causing customers to put off a number of investment decisions and means that we are not able to benefit from our well-stocked project pipeline at present,” explains Matijas Meyer. “Given that the pressures on our customers to shift from manual workstations to machines continue unabated, our expectation is that this dip is temporary and that the situation will improve over the course of the year.”

In light of 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 result witnessed in the first half of 2018. “We currently expect a drop in order intake and revenues of between 10% and 20% in the first half of 2019,” says Matijas Meyer. Despite this temporary phase of weakness, however, Komax will continue to invest significant amounts in research and development as well as in digitalization in 2019, in order to 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 the year.

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

The 2018 annual report can be downloaded from www.komaxgroup.com/annual-report.

Strategic targets 2017–2021

	2021	2018
Revenues (in CHF million)	500–600	479.7
EBIT (in CHF million)	80–100	67.3

	2017–2021	2018
RONCE (in %)	Avg. 25	25.2
Payout ratio (in % of EAT)	50–60	52.0

Key figures of the Komax Group

in TCHF	2018	2017	+/- in %
Order intake	496,683	449,736	10.4
Revenues	479,698	408,509	17.4
EBITD	78,614	66,115	18.9
in % of revenues	16.4	16.2	
Operating profit (EBIT)	67,254	55,069	22.1
in % of revenues	14.0	13.5	
Group profit after taxes (EAT)	51,787	42,101	23.0
in % of revenues	10.8	10.3	
Free cash flow	–4,340	–7,582	–42.8
Research and development	41,051	36,668	12.0
in % of revenues	8.6	9.0	
Total assets	462,904	414,458	11.7
Shareholders' equity ¹	281,640	258,178	9.1
in % of total assets	60.8	62.3	
Net debt (–) / net cash (+)	–39,358	–10,544	273.3
Headcount as at 31 Dec. (No.)	2,006	1,841	9.0

¹ Equity attributable to shareholders' of Komax Holding AG.

Komax registered share: key data

	2018	2017
Number of shares as at 31 Dec.	3,847,510	3,834,482
Basic earnings per share in CHF	13.52	11.05
Distribution per share in CHF	7.00 ¹	6.50
Dividend yield as at 31 Dec. in %	3.0 ¹	2.0
P/E (price-earnings ratio) as at 31 Dec.	17.0	28.9
Market capitalization as at 31 Dec. in CHF million	884.9	1,225.1

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 about 2000 people worldwide and provides sales and service support via subsidiaries and independent agents in more than 60 countries.