

DRIVING AUTO MATION FOR WARD

Short Report
2018

komax

DEAR SHAREHOLDER

The Komax Group again witnessed strong growth in 2018 – with regard to both order intake and revenues – and was able to use this growth to further expand its leading market position. 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. Implementation of the 2017–2021 strategy is progressing.

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, Komax again benefited from having the broadest product portfolio and being able to offer customers a wide spectrum of automation solutions along the value chain. 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.

Komax's objective in investing such significant amounts in research and development is to enable customers to continually increase their level of automation in wire processing. Independently of the number of vehicles manufactured each year, customers are experiencing substantial pressures to increase automation. 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%. 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. 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. Given that the pressures to increase automation continue unabated, our expectation is that this dip is temporary and that the situation will improve over the course of the year. Consequently, despite this temporary phase of weakness, in 2019 we will continue to invest significant amounts in research and development as well as in digitalization. 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.

Yours sincerely,



Dr. Beat Kälin
 Chairman of the
 Board of Directors



Matijas Meyer
 CEO

7 March 2019

Consolidated financial statements

Consolidated income statement

in TCHF	2018	2017	+/- in %
Revenues	479 698	408 509	17.4
Gross profit	297 903	256 476	16.2
EBITD	78 614	66 115	18.9
Operating profit (EBIT)	67 254	55 069	22.1
Financial result	-5 225	-819	538.0
Group profit before taxes (EBT)	62 421	50 550	23.5
Income taxes	-10 634	-8 449	25.9
Group profit after taxes (EAT)	51 787	42 101	23.0

Consolidated balance sheet

in TCHF	31.12.2018	31.12.2017	+/- in %
Current assets	313 605	291 102	7.7
Non-current assets	149 299	123 356	21.0
Total assets	462 904	414 458	11.7
Current liabilities	84 594	78 506	7.8
Non-current liabilities	96 670	77 774	24.3
Equity attributable to shareholders' of Komax Holding AG	281 640	258 178	9.1
Total liabilities and shareholders' equity	462 904	414 458	11.7

Consolidated cash flow statement

in TCHF	2018	2017	+/- in %
Cash flow from operating activities	29 629	26 767	10.7
Cash flow from investing activities	-33 969	-34 349	-1.1
Free cash flow	-4 340	-7 582	-42.8
Distribution out of reserves from capital contributions ¹	-5 745	-5 728	0.3
Distribution of dividends ²	-19 149	-19 094	0.3
Other cash flow from financing activities	22 311	41 182	-45.8
Increase (+) / decrease (-) in funds³	-8 326	10 760	-177.4

¹ The payout from capital contribution reserves of CHF 1.50 (2017: CHF 1.50) per registered share occurred in April 2018 (2017: May 2017).

² The distribution of dividends of CHF 5.00 (2017: CHF 5.00) per registered share occurred in April 2018 (2017: May 2017).

³ Funds: cash + cash equivalents (including time deposits with a term of up to three months).

The complete Annual Report of the Komax Group can be downloaded from www.komaxgroup.com/annual-report.

Financial statements of Komax Holding AG

Income statement of Komax Holding AG

in TCHF	2018	2017	+/- in %
Dividend income	37 622	37 734	-0.3
Other financial income	8 099	8 759	-7.5
Other operating income	690	637	8.3
Total income	46 411	47 130	-1.5
Financial expenses	-5 349	-4 392	21.8
Compensation	-786	-419	87.6
Other operating expenses	-2 520	-3 262	-22.7
Value adjustment on financial investment	0	-2 370	-100.0
Direct taxes	-276	-250	10.4
Total expenses	-8 931	-10 693	-16.5
Profit after taxes	37 480	36 437	2.9

Balance sheet of Komax Holding AG

in TCHF	31.12.2018	31.12.2017	+/- in %
Current assets	87 021	81 174	7.2
Non-current assets	297 542	272 174	9.3
Total assets	384 563	353 348	8.8
Current liabilities	2 155	4 858	-55.6
Non-current liabilities	83 030	65 109	27.5
Shareholders' equity	299 378	283 381	5.6
Total liabilities and shareholders' equity	384 563	353 348	8.8

Proposal for the appropriation of profit

The Board of Directors proposes the following appropriation of profit, payout from the capital contribution reserves (which is not subject to withholding tax), and dividend:

in CHF	31.12.2018	31.12.2017
Balance carried forward from previous year	550 809	262 290
Profit after taxes	37 480 320	36 437 429
Transfer from capital contribution reserves	3 078 008	5 751 723
Total available for distribution	41 109 137	42 451 442
Payout from capital contribution reserves of CHF 0.80 per registered share (2017: CHF 1.50) which is not subject to withholding tax ¹	3 078 008	5 751 723
Dividend of CHF 6.20 gross per registered share (2017: CHF 5.00) ¹	23 854 562	19 172 410
Allocation to free reserves	13 500 000	17 000 000
Profit carried forward	676 567	527 309
Total	41 109 137	42 451 442

¹ The stated amount covers the requirement for the payout from capital reserves for all registered shares outstanding. Registered shares issued after 1 January 2019 upon exercise of options are also entitled to the payout from capital reserves. Therefore, the stated amount may be subject to change.

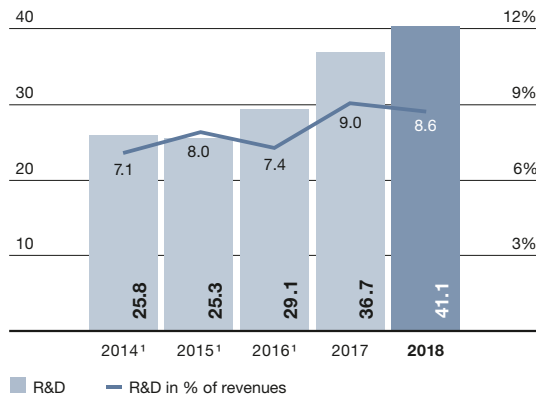
INNOVATION AS DRIVER OF SUCCESS

In order to consolidate its market and technology leadership, Komax has been investing in research and development at an above-average rate – and will continue to do so over the coming years. Global developments such as e-mobility and autonomous driving give Komax the opportunity to develop additional unique selling propositions through its innovative strength.

Since 2017, Komax has been spending 8%–9% of Group revenues on research and development (R&D) annually. The equivalent figure in prior years was 7%–8% annually. In 2018, Komax invested CHF 41.1 million or 8.6% (2017: 9.0%) in the optimization of existing and the development of new products. This is CHF 4.4 million or 12.0% more than the previous year. The figure includes expenditure on both internal development services (CHF 32.3 million) and the development services of third parties (CHF 8.8 million). Over the last five years, Komax has spent CHF 158.0 million on research and development, thereby underscoring its determination to consolidate the Group’s technology leadership.

R&D expenditure

in CHF million



¹ Since the start of 2017, the consolidated financial statements have been drawn up in accordance with Swiss GAAP FER. The 2016 figures have been revised accordingly. The years 2014 and 2015 are reported according to IFRS.

Further unique selling propositions

The automotive industry is currently in a state of flux, and the race to develop the “mobility of the future” is also having an impact on Komax. Themes such as e-mobility, autonomous driving, and digitalization give Komax further opportunities to develop unique selling propositions. In order to exploit these opportunities, Komax set the wheels in motion some years ago by significantly increasing its investment in research and development. The technological transformation of the automotive industry means a rise in manufacturing demands, and the customers of Komax are confronted with a number of unusual challenges. In order to ensure the latest customer requirements are met in the best possible way, Komax often works with leading companies from the automotive industry on development projects.

E-mobility solution portfolio

Komax will launch various new solutions in 2019 and the following years that will increase the level of customer automation, increase customer productivity and improve digitalization. In the area of e-mobility too, Komax will be creating competitive advantages for its customers thanks to its center of competence in Hungary. In 2018, more than two million electric vehicles were produced in the form of pure battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs). While this may be but a fraction of the 94 million or so vehicles produced last year, volumes are rising continuously. According to a study carried out by IHS Markit, the market share of electric vehicles will increase to around 10% by 2025. China in particular has emerged as a strong driver of e-mobility in recent years: in 2018, more than 50% of all electric vehicles were manufactured in China.

To build an electrified drive chain, the manufacturer uses shielded high-voltage cables with specific plug systems. As things stand, the processing of these cables is primarily carried out manually, but as volumes rise, so will the demand for automation solutions. Komax already has a portfolio of solutions that covers the entire value chain, i.e. from the processing of high-voltage cables through to the testing of the final wire harnesses, and it will continue to optimize and expand this portfolio. In addition to the high-voltage wire harness, a traditional engine wire harness is required for the combustion engines of all vehicles that use hybrid technology. When it comes to the fully automatic production of such small and medium-sized wire harnesses, Komax has had a technology advantage for years, and – just like in other areas – this competitive advantage is patent-protected: with the Omega 740 and 750, the cutting, crimping, and fitting of the contact is executed on one and the same machine. As the manual fitting of contacts is particularly susceptible to error, the switch to automation has the effect of increasing process security and improving quality. Furthermore, Komax customers benefit from significant savings in time and logistics, since automation obviates other manual steps such as the interim storage of individual wires and transport.

390 staff employed in research and development, and engineering

As at 31 December 2018, the Komax Group employed a total of 217 staff (2017: 200) in the research and development area. The majority of these staff (149 employees) work in Switzerland, which is why the lion's share of R&D expenditure is incurred in Switzerland. In addition, Komax has development units in China, Germany, France, Japan, and Singapore. The Group's innovative strength is further bolstered by 173 engineers (2017: 166), who make an important contribution through the development of customer-specific applications. The personnel costs of these engineering employees are not contained in research and development expenditure if the staff in question have worked directly on customer projects.

The number of employees working in research and development has risen by around 31% since 2016. This is attributable, on the one hand, to the takeovers of Laselec and Practical Solution in 2017, which have development teams in France and Singapore, respectively, and, on the other, to Komax's desire to consistently seize any opportunities that present themselves in the current market environment. This increase in headcount should be viewed as a form of investment in a sustainably successful future.

BUSINESS MODEL AND STRATEGY

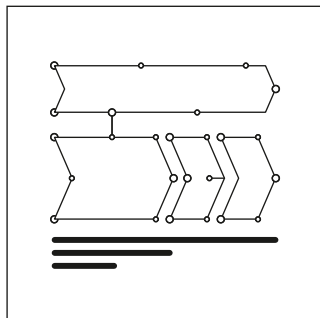
Komax specializes in innovative solutions for all wire processing applications and for the testing of wire harnesses. The emphasis is on processes such as measuring, cutting, stripping, crimping, taping wires, and block loading. Komax offers its customers fully automated and semi-automated serial production models as well as customer-specific systems (for all degrees of automation and individualization), which optimize processes while at the same time increasing productivity. These are supplemented by an extensive range of quality assurance modules, testing devices, and networking solutions for the reliable and efficient production of wire harnesses. Solutions that increase the availability of installed systems and test their productivity also form part of the range, as does intelligent software. All of this provides ideal conditions for Komax’s customers to consolidate and increase their competitive advantage.

Global production with local distribution, engineering, and service network

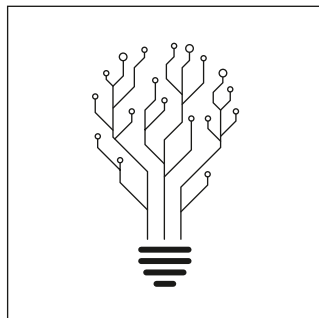
Komax produces at 19 locations – in Europe, Asia, North and South America, and Africa – and provides sales and service support in more than 60 countries through its subsidiaries and independent agents. This gives Komax a unique global presence that enables it to provide efficient and competent support to its customers – both local and global – at all times. Customers can also submit their orders via the e-commerce platform Komax Direct. Customer proximity as well as short reaction and supply times are crucial. More than 2 000 employees currently work in the 38 companies of the Komax Group worldwide.

Four key strategic priorities

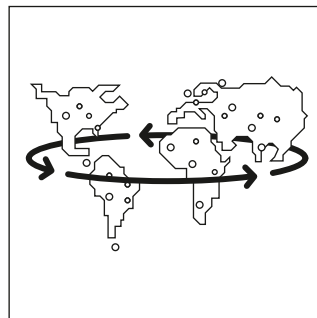
When developing customer solutions in the area of wire processing, Komax can draw on more than 40 years’ experience. The company is both the technology and market leader in its field, with a market share more than twice that of its nearest competitor. In order to further strengthen this global leadership position, Komax pursues a growth strategy that involves four key priorities:



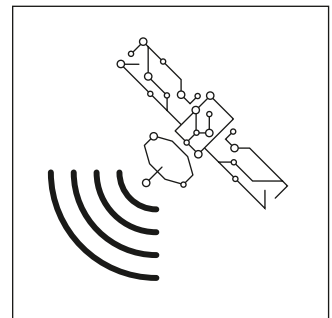
Solutions along the value chain



Innovative production concepts



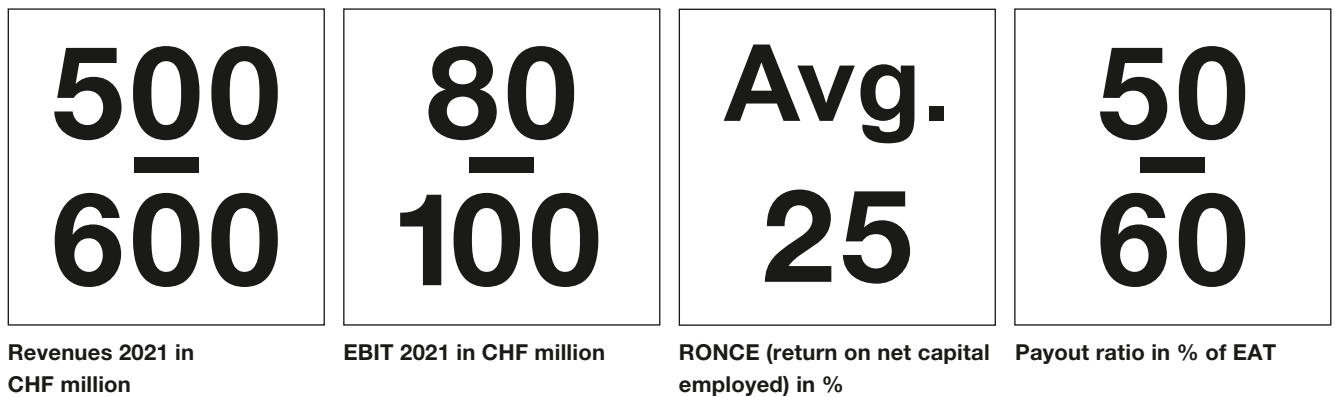
Global customer proximity



Development of non-automotive markets

Ambitious targets for 2017–2021

Komax is characterized by its very strong capital base and high profitability. This solid foundation enables Komax to systematically pursue opportunities to develop the company further. As an additional benefit, it offers security in challenging times. For the strategy period 2017–2021, Komax has set itself ambitious targets for growth, profitability, and return on capital. These are designed to consolidate its leading position and increase the value of the company further via profitable growth.



Four market segments

Komax now generates more than 80% of its revenues through customers in the automotive industry. Market estimates indicate that some 60% of globally processed wiring is used in automotive manufacturing. This high proportion is explained by the fact that the automotive industry is peerless when it comes to standardization and automation. The high volume of wires needed for large-batch processing and the stringent requirements in place with regard to finish quality are key arguments in favor of automated solutions. In addition to the automotive industry, there are countless other markets in which numerous wires are processed. Komax focuses predominantly on three additional market segments, all of which have synergy potential with the core business: aerospace, data communication and telecommunication (data/telecom), and industrial applications (industrial).

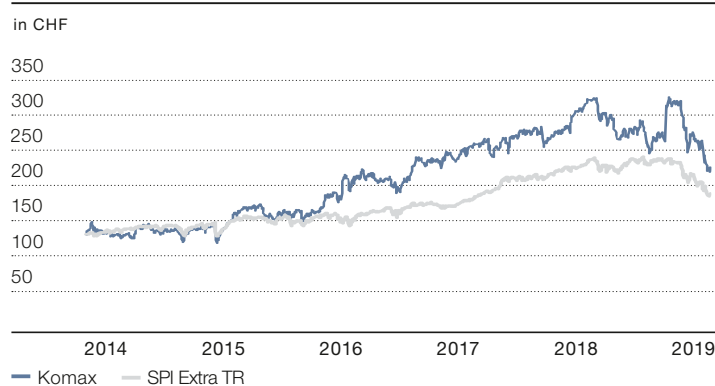
Global megatrends as growth drivers

Global megatrends will support Komax’s business in the long term. These include growing environmental awareness on the part of consumers and the associated goal of emission-free vehicles. A key role will be played in this respect by e-mobility. Another megatrend is increasing interconnectedness. Infotainment systems in vehicles are becoming increasingly comprehensive and complex, while integrated information systems are laying the basis for the future: autonomous driving. The need for greater road traffic safety represents a further megatrend. Here the emphasis is now no longer just on protection in the event of an accident, but above all on avoiding accidents. As a consequence, the number of sensors in vehicles will continue to rise. Finally, a global megatrend towards affordable vehicles is emerging. This requires greater cost efficiency in manufacturing, which in turn is increasing the pressure to automate wire processing further.

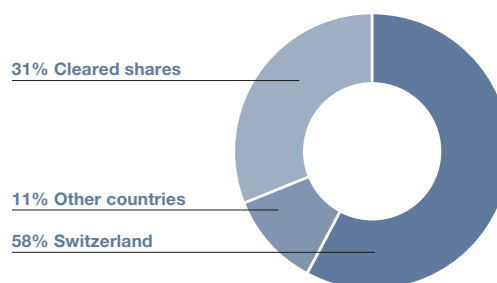
ATTRACTIVE DIVIDEND YIELD

Over the course of 2018, the daily closing price of the Komax share ranged between CHF 223.00 and CHF 329.00. The year-end closing price was CHF 230.00. This represents a decline of 28.0% on the 2017 year-end closing price (CHF 319.50). Over the last five years, the value of the Komax share has increased by around 70%. The SPI Extra has appreciated by around 44% over the same timeframe. The market capitalization of the Komax Group at the end of 2018 was CHF 884.9 million.

Share price development



Geographical distribution of shareholdings



The shareholder base widened significantly in 2018. At the end of 2018, 6027 shareholders were entered in the share register. This represents an increase of 979 shareholders compared to the end of 2017. The majority of shares not held in Switzerland are held in the United Kingdom, Germany, Luxembourg, the Netherlands, and the United States. The free float as defined by SIX Swiss Exchange stands at 100%.

Komax registered share: key data

		2018	2017	2016 ¹	2015 ¹	2014 ¹
Share capital as at 31 Dec.	in TCHF	385	383	377	369	361
Number of shares as at 31 Dec.	No.	3 847 510	3 834 482	3 774 148	3 691 651	3 605 101
Basic earnings per share	CHF	13.52	11.05	10.34	8.00	7.64
EBITD per share	CHF	20.52	17.35	17.22	16.19	15.99
EBIT per share	CHF	17.56	14.45	14.81	13.67	13.34
Shareholders' equity per share	CHF	73.20	67.33	65.23	76.70	78.82
Highest price	CHF	329.00	319.50	251.25	194.90	152.40
Lowest price	CHF	223.00	243.50	180.10	122.90	124.60
Closing price as at 31 Dec.	CHF	230.00	319.50	251.25	194.90	144.50
Average daily trading volume	No.	13 342	12 274	8 191	7 881	8 613
P/E (price-earnings ratio) as at 31 Dec.		17.0	28.9	24.3	24.4	18.9
Distribution per share	CHF	7.00 ²	6.50	6.50	6.00	5.00
Dividend yield as at 31 Dec.	%	3.0 ²	2.0	2.6	3.1	3.5

¹ Since the start of 2017, the consolidated financial statements have been drawn up in accordance with Swiss GAAP FER. The 2016 figures have been revised accordingly. The years 2014 and 2015 are reported according to IFRS.

² Proposal of the Board of Directors of Komax Holding AG: distribution of CHF 7.00 per registered share.

Five year overview

in TCHF	2018	2017	2016 ¹	2015 ¹	2014 ¹
Income statement					
Revenues	479 698	408 509	391 820	315 093	363 338
Gross profit	297 903	256 476	247 943	205 941	220 188
in % of revenues	62.1	62.8	63.3	65.4	60.6
EBITD	78 614	66 115	64 420	59 123	57 663
in % of revenues	16.4	16.2	16.4	18.8	15.9
Operating profit (EBIT)	67 254	55 069	55 424	49 938	48 102
in % of revenues	14.0	13.5	14.1	15.8	13.2
Group profit after taxes (EAT)	51 787	42 101	38 703	29 215	27 743
in % of revenues	10.8	10.3	9.9	9.3	7.6
Depreciation	11 360	11 046	8 996	9 185	9 561
Research and development	41 051	36 668	29 071	25 315	25 776
in % of revenues	8.6	9.0	7.4	8.0	7.1
Balance sheet					
Non-current assets	149 299	123 356	125 181	160 940	145 562
Current assets	313 605	291 102	231 879	238 027	242 490
Shareholders' equity ²	281 640	258 178	246 174	283 134	284 168
in % of total assets	60.8	62.3	68.9	71.0	73.2
Share capital	385	383	377	369	361
Total liabilities	181 264	156 280	110 886	115 833	101 882
in % of total assets	39.2	37.7	31.1	29.0	26.3
Non-current financial liabilities	90 338	69 856	31 445	16 518	23 670
Current financial liabilities	0	0	78	0	0
Net cash (+) / net indebtedness (-)	-39 358	-10 544	17 008	34 365	29 211
Total assets	462 904	414 458	357 060	398 967	388 052
Cash flow statement					
Cash flow from operating activities	29 629	26 767	36 906	49 612	30 295
Investments in non-current assets	41 340	22 201	22 827	18 850	15 566
Free cash flow	-4 340	-7 582	441	24 519	14 412
Employees					
Headcount as at 31 December	No. 2 006	1 841	1 633	1 347	1 498
Revenues per employee ³	248	238	255	248	261
Gross value added per employee ³	120	118	122	128	126
Net value added per employee ³	114	112	116	121	119

¹ Since the start of 2017, the consolidated financial statements have been drawn up in accordance with Swiss GAAP FER. The 2016 figures have been revised accordingly. The years 2014 and 2015 are reported according to IFRS.

² Equity attributable to equity holders of the parent company.

³ Calculated on the basis of average headcount.

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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

Forward-looking statements

The Short Report 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.

This Short Report and the Annual Report are available in English and German. The original German version is binding.

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