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Media release

2020 half-year results of the Komax Group

Komax mitigates repercussions of COVID-19 with structural adjustments and cost reductions

The slump in demand in the automotive industry brought about by the coronavirus pandemic weighed on the Komax Group in the first half of 2020. Order intake declined by 30.4% to CHF 143.8 million, while revenues decreased by 28.6% to CHF 145.2 million. Thanks to the initiation of swift and rigorous cost-cutting measures at all its companies, Komax was able to mitigate the negative consequences to a significant degree. Operating profit (EBIT) amounted to CHF –4.7 million (previous year: CHF 16.4 million), while Group earnings after taxes (EAT) came in at CHF –11.6 million (previous year: CHF 10.7 million). In order to bring down costs sustainably, Komax has been adjusting its structures at various Group companies since the start of the year, reducing worldwide headcount by around 150 employees.

The coronavirus pandemic dealt a major blow to the automotive industry in the first half of 2020. According to analyses by IHS Markit, around 30 million vehicles were produced in the first six months of the year – one third less than in 2019. IHS Markit anticipates a higher production volume in the second half of the year and expects production for 2020 as a whole to come to around 69 million vehicles. As the automotive industry accounts for roughly 80% of the Komax Group's revenues, the closure of many auto plants for several weeks had a significant impact on the result: order intake decreased by 30.4% to CHF 143.8 million (previous year: CHF 206.7 million) and revenues fell by 28.6% to CHF 145.2 million (previous year: CHF 203.3 million). The revenue result is attributable to an organic decline (–29.5%), acquisition-driven growth (+4.3%) and negative foreign currency effects (–3.4%).

Broad product portfolio and large customer base

If the number of vehicles produced decreases, customers usually have sufficient production capacity for wire processing and therefore have less need for additional automation solutions from Komax. This results in a disproportionately sharp fall in order intake relative to the decline in vehicle production. The fact that Komax was able to prevent this is related to its broad product portfolio and its extensive customer and installed machine base worldwide. Although volume business contracted significantly in the first half of the year, intensive sales activities, including activities outside of the automotive industry, made it possible to compensate for some of this contraction – this despite the fact that customers also postponed automation projects that are not dependent on the vehicle volumes produced.

Revenues fell sharply in all regions, with Asia registering the least pronounced decline (–19.0%). Asia was hit by the coronavirus pandemic in the first quarter, but subsequently staged a gradual recovery, making good some of the losses from the beginning of the year. Europe posted the biggest drop in revenues (–33.5%), followed by Africa (–28.3%) and North/South America (–27.0%).

Comprehensive cost-cutting measures

The sharp fall in revenues coupled with a product mix that proved disadvantageous had a substantial impact on the operating result (EBIT), leading to EBIT of CHF –4.7 million (previous year: CHF 16.4 million) and an EBIT margin of –3.2% (previous year: 8.0%). The foreign currency impact reduced the EBIT margin by 1.2 percentage points. “By responding extremely swiftly and implementing comprehensive cost-cutting measures at all our companies, we were able to contain much of the loss,” explains Matijas Meyer, CEO Komax Group. “Action taken included the introduction of short-time working, reductions in numbers of temporary and fixed-term posts, a reduction in external services (e.g. research and development), and the postponement of projects. In addition, structures were adjusted in various companies and the headcount was reduced by a total of around 80 employees to 2135.” The first few weeks of the second half of the year saw around 70 more employees laid off.

Structural adjustments at various companies

Among other things, these structural adjustments include a consolidation of Komax’s production sites in North America. Komax now only produces testing systems for its customers at its new site in Ciudad Juárez (Mexico), rather than in both Mexico and the US, as it did previously. In addition, Komax has minimized risks in connection with its customer-specific activities, which has involved an adjustment to production capacity and thus headcount reduction at its companies Exmore (Belgium), Komax AG (Switzerland), Komax SLE (Germany), and Laselec (France).

At all manufacturing sites, headcount has been adjusted to the current market situation – primarily through the reduction of temporary and fixed-term personnel, but also in some cases through redundancies.

In Switzerland, which is by far the largest innovation center of the Komax Group, a restructuring will take place at the start of 2021. The management structure will be streamlined significantly as a result. “This will have the effect of shortening communication pathways and accelerating decision-making processes, which will in turn enable us to react even more swiftly to changing market needs,” says Matijas Meyer. Over the next few months, Komax will decide what scale of additional structural adjustments are necessary at its individual companies in order to ensure that the company is optimally positioned for the expected business activity in the years ahead. In 2020, Komax expects to reduce costs by between CHF 40 and 50 million versus 2019.

Vertical factory now in operation

In Switzerland, where the Komax Group is headquartered, employees moved into the new production and development building in the first half of the year, with the first machines rolling off the production line in April. The newbuild, which was conceived as a vertical factory, has a state-of-the-art, automated small-parts storage area with an intralogistics system that will facilitate a further increase in productivity over the next few years. “We will relinquish our rented site in Küssnacht am Rigi at the end of 2020 and will then have just two locations in Switzerland (Dierikon and Rotkreuz). We have been renting out a floor that is superfluous to requirements at our Rotkreuz site since the middle of 2020,” reports Matijas Meyer.

Financial stability

Group earnings after taxes (EAT) decreased to CHF –11.6 million (previous year: CHF 10.7 million). The financial result of CHF –4.7 million (previous year: CHF –2.2 million), which mainly comprises unrealized foreign exchange losses on loans to subsidiaries in the emerging markets and increased interest costs, weighed on EAT.

“While it may face a challenging current market environment, Komax still has a very robust financial base that gives it operating flexibility,” emphasizes Andreas Wolfisberg, CFO Komax Group. As at 30 June 2020, shareholders’ equity totaled CHF 227.1 million (31 December 2019: CHF 244.6 million) while the equity ratio stood at 50.2% (31 December 2019: 50.8%). “Komax also has a long-term syndicated loan facility of CHF 220 million, of which CHF 161 million was being utilized as at June 30, 2020,” adds Andreas Wolfisberg. Free cash flow amounted to CHF –2.4 million (previous year: CHF –2.9 million), while net debt stood at CHF 109.5 million (31 December 2019: CHF 106.2 million).

Outlook

Visibility as regards business development remains very low and it is difficult to gauge how strongly the market will recover in the second half of the year. It is therefore not yet possible to issue any forecast for the 2020 financial year.

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Financial calendar

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
Annual General Meeting	14 April 2021
Half-year results 2021	17 August 2021

The 2020 half-year report can be found at www.komaxgroup.com.

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

Key figures of the Komax Group

in TCHF	First half 2020	First half 2019	+/- in %
Order intake	143,810	206,717	-30.4
Revenues	145,245	203,314	-28.6
EBITDA	2,709	22,609	-88.0
in % of revenues	1.9	11.1	
Operating result (EBIT)	-4,687	16,357	-128.7
in % of revenues	-3.2	8.0	
Group earnings after taxes (EAT)	-11,555	10,708	-207.9
in % of revenues	-8.0	5.3	
Free cash flow	-2,396	-2,907	-17.6
Research and development	15,788	19,661	-19.7
in % of revenues	10.9	9.7	
	30.06.2020	31.12.2019	+/- in %
Total assets	452,189	481,236	-6.0
Shareholders' equity ¹	227,149	244,604	-7.1
in % of total assets	50.2	50.8	
Net debt	109,533	106,224	3.1
Headcount (Number)	2,135	2,211	-3.4

¹ Equity attributable to shareholders' of Komax Holding AG.