

Dierikon, 16 March 2021

Media release

2020 annual financial statements of the Komax Group

Positive business development in the second half of the year

The coronavirus pandemic posed a significant challenge for the Komax Group in 2020 and had a substantial impact on the result for the year. The slump in demand in the automotive industry triggered a sizeable decrease in order intake (CHF 345.3 million) and revenues (CHF 327.6 million). Thanks to the swift implementation of comprehensive cost-cutting measures, Komax proved the robustness of its business model, recording EBIT of CHF 11.3 million despite the adverse circumstances. Rigorous cost management enabled Komax to generate a free cash flow of CHF 15.4 million and reduce net debt by 13.0%. The Group sees itself as well positioned for the coming years, and is therefore sticking with its ambitious mid-term targets.

The automotive industry, in which Komax generates around 80% of its revenues, was drastically affected by the coronavirus pandemic in 2020. Many automotive plants were shut down for a number of weeks, operating at reduced capacity utilization levels over several months. This resulted in only 74.6 million vehicles being produced worldwide in 2020 according to analyses by IHS Markit, a drop of around 14 million versus 2019. This marked decline in production volumes left many Komax customers facing excess capacities. As a consequence, they significantly scaled back their investments in automation solutions, which correlate directly to the number of vehicles produced.

Gradual recovery from mid-year

Its broad product portfolio and customer proximity allowed Komax to keep the decline in demand within limits, however, and it recorded an order intake of CHF 345.3 million. This represents a decrease of 15.5% on the previous year (CHF 408.7 million). Customer demand remained solid in particular for solutions linked to new technologies such as autonomous driving and e-mobility, and/or which play a role in further increasing the level of automation in wire processing. Revenues were down 21.6% to CHF 327.6 million (2019: CHF 417.8 million). This revenue result was attributable to a sizeable organic decline (–20.8%), acquisition-driven growth (+2.6%), and negative foreign currency effects (–3.4%).

The market situation improved gradually from mid-2020 on, so much so that both order intake (first half 2020: CHF 143.8 million, second half 2020: CHF 201.5 million) and revenues (first half 2020: CHF 145.2 million, second half 2020: CHF 182.4 million) were significantly higher in the second half of the year than in the first, with the last few months of 2020 in particular contributing to this increase. The book-to-bill ratio was 1.05 at the end of 2020 (2019: 0.98).

Global decline in revenues

The decline in revenues was considerable in all regions and, at –32.8%, was most substantial in North/South America. The impact of the coronavirus pandemic was felt last of all in this market area. Accordingly, the recovery also set in later here than in other regions and was, in fact, still outstanding in South America. Komax registered its lowest drops in revenues in Asia (–9.5%) and Africa (–12.2%). Asia witnessed the most rapid improvement in the market situation, which was almost back at the prior-year level towards the end of 2020. In Europe,

Komax posted revenues that were down 23.4% on the 2019 figure. At the mid-year point, the decline amounted to 32.4%, the biggest drop of all the regions. In evidence for several years already, the trend among wire manufacturers towards relocating part of their production to North Africa due to a growing shortage of personnel in Eastern Europe continued in 2020.

The coronavirus pandemic also made itself felt in the other market segments in which Komax operates. Aerospace was especially hard hit, recording even bigger falls than the automotive industry. Of all the market segments, industrial fared best in the crisis year of 2020. Industrial customers such as control cabinet manufacturers, for instance, remained focused on increasing the level of automation and thus productivity in wire processing, investing in Komax solutions as a result.

Comprehensive cost-cutting measures

Given the lack of volume business in particular in 2020, a business which makes a disproportionately high contribution to Komax's operating profit (EBIT), EBIT declined by 53.2% to CHF 11.3 million (2019: CHF 24.0 million). Included in this result are restructuring costs of CHF 1.6 million incurred as a result of structural adjustments at various companies. The EBIT margin narrowed from 5.8% to 3.4%, with negative foreign currency effects accounting for a contraction of 1.2 percentage points in the margin compared with the previous year. In the first half of 2020, when the market situation was even worse, EBIT amounted to CHF –4.7 million (second half 2020: CHF 16.0 million).

“Since we reacted swiftly, putting in place comprehensive cost-saving measures at our companies as early as the first quarter of the year, we were able to mitigate the negative financial repercussions,” explains Matijas Meyer, CEO of the Komax Group. Action taken included structural adjustments, the introduction of short-time working, a reduction in external services (e.g. research and development), and a worldwide headcount downsizing. Overall, Komax reduced its workforce by around 10%, although a number of employees at various companies will not leave the Group until the first half of 2021. Komax lowered its costs by over CHF 50 million in 2020, securing a sustainable reduction in its cost base of more than CHF 10 million.

As a consequence of the cost-saving measures, research and development expenditure decreased to CHF 29.8 million (2019: CHF 41.5 million) or 9.1% (2019: 9.9%) of revenues, which is roughly in line with the strategic target of 8%–9%. Despite this considerable scaling back of the spend on innovation, which was due primarily to short-time working, Komax launched a number of new products in 2020, thereby underscoring its technology leadership. “We also achieved breakthroughs in several innovation projects,” says Matijas Meyer. “We are now working furiously to ensure that we can unveil a number of these innovations in November 2021 at Productronica in Munich, our most important trade fair in Europe.”

Solid financial foundation

Group earnings after taxes (EAT) decreased by 110.0% to CHF –1.3 million (2019: CHF 13.2 million). Both the financial result of CHF –8.9 million (2019: CHF –4.9 million) and the extraordinary tax rate of 156.7% (2019: 31.1%) weighed on the result. The high tax rate can be attributed to the fact that Komax does not capitalize tax-loss carry forwards. Over the medium term, Komax is expecting a tax rate in the vicinity of 20%. The financial result comprises above all unrealized foreign exchange losses on loans to subsidiaries in emerging markets as well as higher interest costs.

2020 confirmed that Komax has a solid financial foundation that gives it operating flexibility even in challenging market environments. As at 31 December 2020, shareholders' equity totaled CHF 236.5 million (2019: CHF 244.6 million), while the equity ratio stood at 52.3% (2019: 50.8%).

Reduction in net debt

“Despite a number of challenges, the great dedication of our employees allowed us to bring net debt down by 13.0% in 2020, to CHF 92.4 million (2019: CHF 106.2 million). This will substantially reduce the interest charges in the first half of 2021,” explains Andreas Wolfisberg, CFO of the Komax Group. “Free cash flow likewise witnessed a positive development, amounting to CHF 15.4 million, after the significantly negative figure recorded in 2019 (CHF –36.9 million). A particular contributory factor here was the lower level of investment activity compared with the previous year.”

In 2020, Komax invested primarily in the completion of the new production and development building at its headquarters in Switzerland. The move into the building took place in the first half of the year, and April saw the first machines being produced there. The innovation center, in which Komax invested over CHF 75 million between 2017 and 2020, is designed as a vertical factory with total floor space of more than 20,000 m², spread across a lower ground floor, ground floor and five stories. As the move to the new building allowed Komax to give up a rented site, it now operates just two locations in Switzerland.

Waiver of dividend

In accordance with its strategic goals, every year Komax seeks to distribute 50%–60% of Group earnings after taxes to its shareholders. “Since this result was negative in 2020, the Board of Directors is proposing to the Annual General Meeting to be held on 14 April 2021 that the distribution of a dividend be waived,” says Beat Kälin, Chairman of the Board of Directors.

Outlook

The crisis year of 2020 showed that customers continue to target a significant increase in the level of automation in wire processing going forward. Trends such as autonomous driving and e-mobility will remain drivers of growth for Komax. “The current market situation is better than in the year just past, but visibility as regards how business will develop is low. Given the vehicle production volumes forecast, our capacity planning is geared to revenues of around 10% lower than in 2019,” says Matijas Meyer. Depending on how revenues develop, we have the necessary flexibility to be able to adapt costs or create capacities at short notice.” Although the parameters have changed, Komax is sticking with its mid-term targets: by 2023, Komax is seeking to achieve revenues of CHF 450–550 million and EBIT of CHF 50–80 million.

Financial calendar

Annual General Meeting	14 April 2021
Half-year results 2021	17 August 2021
Preliminary information on 2021 financial year	25 January 2022
Annual media and analyst conference on the 2021 financial results	15 March 2022

The 2020 annual report can be downloaded from www.komaxgroup.com/annual-report.

Mid-term targets

	2023	2020
Revenues (in CHF million)	450–550	327.6
EBIT (in CHF million)	50–80	11.3
	2017–2023	2020
Payout ratio (in % of EAT)	50–60	0

Key figures of the Komax Group

in TCHF	2020	2019	+/- in %
Order intake	345,349	408,682	-15.5
Revenues	327,623	417,771	-21.6
EBITDA	26,340	36,837	-28.5
in % of revenues	8.0	8.8	
Operating profit (EBIT)	11,254	24,035	-53.2
in % of revenues	3.4	5.8	
Group earnings after taxes (EAT)	-1,319	13,221	-110.0
in % of revenues	-0.4	3.2	
Free cash flow	15,435	-36,886	-141.8
Research and development	29,756	41,531	-28.4
in % of revenues	9.1	9.9	
Total assets	452,089	481,236	-6.1
Shareholders' equity ¹	236,486	244,604	-3.3
in % of total assets	52.3	50.8	
Net debt	92,426	106,224	-13.0
Headcount as at 31 Dec. (No.)	2,095	2,211	-5.2

¹ Equity attributable to shareholders of Komax Holding AG.

Komax registered share: key data

	2020	2019
Number of shares as at 31 Dec.	3'850'000	3'850'000
Basic earnings per share in CHF	-0.34	3.44
Distribution per share in CHF	0.00 ¹	0.00
P/E (price-earnings ratio) as at 31 Dec.	-518.5	68.7
Market capitalization as at 31 Dec. in CHF million	678.8	910.1

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

Komax News Portal

Topics and insights from the world of automated wire processing: <https://newsportal.komaxgroup.com/en>