

INNOVATIVE AUTOMATION SOLUTIONS

Short Report
2021

DEAR SHAREHOLDER

The Komax Group gradually found its way back to “normality” in 2021, and significantly surpassed the results of the challenging previous year in respect of order intake, revenues, and EBIT. Although the automotive industry continued to be hard-hit by the coronavirus pandemic and supply chain difficulties, it became apparent that wire harness manufacturers are keen to increase automation in their factories for the long term, and are turning to the innovative solutions of Komax to do so.

The need for automation solutions increased continuously over the year, resulting in a high order intake of CHF 482.4 million (2020: CHF 345.3 million) for the company. Komax thus received 39.7% more orders than in 2020, and only 2.9% fewer than in the record year of 2018, for which the company registered an order intake of CHF 496.7 million. As Komax coped well with the significant supply chain challenges and for the most part maintained the accustomed level of reliability on deliveries, it did not record substantial drops in revenues. Komax posted revenues of CHF 421.1 million, 28.5% higher than in the previous year (CHF 327.6 million). This increase in revenues was made up of strong organic growth (28.0%) and a slightly positive foreign currency impact (0.5%).

Sharp improvement in profitability

The book-to-bill ratio was 1.15 at the end of 2021, leaving Komax with strong order books at year-end. In the previous year, the situation had been less favorable, and Komax accordingly got off to a modest start in 2021. As a result, revenues in the second half of the year (namely CHF 237.8 million) significantly exceeded those recorded in the first half (CHF 183.3 million). The product mix also improved as the year progressed, which in turn had a positive impact on operating profit (EBIT). Overall, EBIT amounted to CHF 44.8 million (2020: CHF 11.3 million), with the EBIT margin coming in at 10.6% (2020: 3.4%). Komax recorded EBIT of CHF 14.1 million in the first half of 2021, and of CHF 30.7 million in the second half. In addition to the changed product mix, the cost-saving measures implemented in the previous year also contributed to the sharp rise in EBIT in 2021.

Group earnings after taxes (EAT) likewise increased significantly, rising to CHF 30.4 million (2020: CHF –1.3 million). Due to lower interest costs, the financial result of CHF –6.6 million was less negative than in the previous year (CHF –8.9 million), and accordingly weighed on EAT less heavily. In addition to interest costs, the financial result comprises above all unrealized foreign exchange losses on loans to subsidiaries in emerging markets. The tax rate amounted to 20.5%. Over the medium term, Komax is expecting a tax rate in the vicinity of 20%. Basic earnings per share work out at CHF 7.90 (previous year: CHF –0.34).

Growth in all regions

The coronavirus pandemic has not changed the determination of wire harness manufacturers to increase the degree of automation in their factories. Quite the opposite: the growth drivers that are relevant to Komax – such as a scarcity or even a deficit of qualified staff, rising personnel costs, and increasing quality demands – are gaining even further traction and strengthening the automation trend. Moreover, there is evidence of an emerging trend to shorten supply chains, which will likewise favor automation. If harness manufacturing is repatriated to countries with higher labor costs, these will have to be offset through headcount reduction.

Revenues increased in all regions in 2021, and the demand for automation solutions increased in all market segments in which Komax is active. Although Komax continues to generate some 80% of its revenues with the automotive industry, the industrial market segment is steadily gaining in significance, and proved to be very robust during the coronavirus pandemic in particular. The automation requirement of

industrial customers, particularly in the control cabinet building area, is high, and offers considerable growth potential for Komax. Viewed in regional terms, Asia recorded the strongest growth in revenues (37.4%), despite the fact that this region witnessed the smallest drop in revenues of any region in 2020. The investment climate improved significantly in North/South America too, facilitating a 30.3% rise in revenues. The lowest revenue growth was recorded by Europe (24.6%) and Africa (23.9%).

Komax invests in the future

In order for Komax to be able to meet the needs of its customers and enable them to achieve competitive advantages with its innovative solutions in the future too, Komax invested CHF 41.1 million – or 9.8% of revenues – in research and development (R&D) in the year under review. This equates to a significant rise in R&D expenditure compared to the previous year (CHF 29.8 million). This substantial increase is explained by the fact that many employees were put on short-time working in 2020 due to the pandemic, hence the personnel costs that account for the majority of R&D expenditure fell sharply.

Another important investment for the company's future in 2021 was the purchase of a plot of land with a production and office building in Dierikon. The property is located immediately adjacent to Komax's headquarters, and will allow the company to sell the site in Rotkreuz and amalgamate these Swiss activities in Dierikon. The acquired property also gives Komax the opportunity to grow further at its largest global production and development site, since it includes 6400 m² of currently undeveloped land.

Solid financial foundation

As a result of this property purchase, free cash flow was negative at CHF –5.5 million (2020: CHF 15.4 million), while net debt increased from CHF 92.4 million to CHF 98.4 million. As long as the planned sale of the building in Rotkreuz is implemented this year, net debt should come down significantly in 2022, leading to a much more positive free cash flow.

Komax continues to have a very solid financial base. As at 31 December 2021, shareholders' equity totaled CHF 264.9 million (2020: CHF 236.5 million), while the equity ratio stood at 51.4% (2020: 52.3%).

Quasi-merger of Komax and Schleuniger

The 2021 financial year showed clearly that the automated wire processing market offers many opportunities. In order to exploit these and be in a position to meet customer needs with sufficient speed across the necessary breadth, a high level of investment and personnel resources is required. Komax and Schleuniger are therefore seeking a quasi-merger so that they

can consistently drive forward the global automation of wire processing through their combined innovative strength.

To implement the combination, Komax will propose to the Annual General Meeting of 13 April 2022 the creation of an authorized capital increase to issue 1 283 333 new shares. These will be allocated to Metall Zug AG in exchange for the shares of Schleuniger AG. Metall Zug AG, the current owner of Schleuniger AG, will subsequently hold a 25% stake in Komax Holding AG. In addition, the Annual General Meeting will be asked to abolish the 15% restrictions on registration and voting rights and elect as an additional member of the Board of Directors Dr. Jürg Werner, the current Chairman of the Schleuniger AG Board of Directors. Completion of the quasi-merger is subject to the approval by the Annual General Meeting and the relevant competition authorities.

Dividend of CHF 4.50

This year's dividend proposal will also be put to a vote at the Annual General Meeting. After Komax waived the distribution of a dividend for both 2019 and 2020, it would now like to distribute a dividend of CHF 4.50 based on the pleasing results of the 2021 financial year. This equates to a payout ratio of 57.0%, which is in line with Komax's strategic target of distributing 50%–60% of EAT to shareholders.

Outlook

Komax is confident that the upward trend apparent in 2021 will continue in 2022, and expects demand for its innovative solutions to remain strong. Supply chain difficulties, which can be expected to drag on until at least the middle of the year, remain a problem. Due to various challenges, a quantitative forecast can currently not be made for the 2022 financial year.

Yours sincerely,



Dr. Beat Kälin
Chairman of the
Board of Directors



Matijas Meyer
CEO

14 March 2022

Consolidated financial statements

Consolidated income statement

in TCHF	2021	2020	+/- in %
Revenues	421 067	327 623	28.5
Gross profit	265 907	199 860	33.0
EBITDA	60 343	26 340	129.1
Operating profit (EBIT)	44 794	11 254	298.0
Financial result	-6 577	-8 927	-26.3
Group earnings before taxes (EBT)	38 217	2 327	1 542.3
Income taxes	-7 842	-3 646	115.1
Group earnings after taxes (EAT)	30 375	-1 319	n.a.

Consolidated balance sheet

in TCHF	31.12.2021	31.12.2020	+/- in %
Current assets	313 895	253 219	24.0
Non-current assets	200 996	198 870	1.1
Total assets	514 891	452 089	13.9
Current liabilities	101 705	72 749	39.8
Non-current liabilities	148 282	142 854	3.8
Equity attributable to shareholders of Komax Holding AG	264 904	236 486	12.0
Total liabilities and shareholders' equity	514 891	452 089	13.9

Consolidated cash flow statement

in TCHF	2021	2020	+/- in %
Cash flow from operating activities	33 006	41 766	-21.0
Cash flow from investing activities	-38 498	-26 331	46.2
Free cash flow¹	-5 492	15 435	-135.6
Cash flow from financing activities	3 866	-9 217	-141.9
Increase (+) / decrease (-) in funds²	-1 165	4 382	-126.6

¹ No Swiss GAAP FER defined key figure.

² Funds: cash plus 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	2021	2020	+/- in %
Dividend income	947	23 760	-96.0
Other financial income	4 856	6 849	-29.1
Other operating income	604	500	20.8
Total income	6 407	31 109	-79.4
Financial expenses	-4 418	-11 645	-62.1
Compensation	-904	-754	19.9
Other operating expenses	-2 363	-2 538	-6.9
Value adjustment on investments	-3 906	-1 429	173.3
Direct taxes	-721	4	n.a.
Total expenses	-12 312	-16 362	-24.8
Earnings after taxes	-5 905	14 747	-140.0

Balance sheet of Komax Holding AG

in TCHF	31.12.2021	31.12.2020	+/- in %
Current assets	107 971	97 593	10.6
Non-current assets	334 472	344 250	-2.8
Total assets	442 443	441 843	0.1
Current liabilities	9 610	9 973	-3.6
Non-current liabilities	111 000	103 350	7.4
Shareholders' equity	321 833	328 520	-2.0
Total liabilities and shareholders' equity	442 443	441 843	0.1

Proposal for the appropriation of profit

The Board of Directors proposes to the Annual General Meeting the following appropriation of profit:

in CHF	31.12.2021	31.12.2020
Balance carried forward from previous year	124 104	176 830
Earnings after taxes	-5 905 071	14 747 274
Release of free reserves	23 105 967	0
Total available for distribution	17 325 000	14 924 104
Dividend of CHF 4.50 gross per registered share (2020: CHF 0.00) ¹	17 325 000	0
Allocation to free reserves	0	14 800 000
Profit carried forward	0	124 104
Total	17 325 000	14 924 104

¹ The distribution requirement applies to all outstanding registered shares.

AUTO INDUSTRY FACING SUPPLY BOTTLENECKS

The strong recovery expected in 2021 following a significant coronavirus-related fall-off in global vehicle production in 2020 failed to materialize due to a shortage of semiconductors. Wire harness manufacturers nevertheless continued to invest in automation solutions in readiness to handle trends such as autonomous driving and e-mobility with state-of-the-art technologies.

According to IHS Markit analyses, some 75 million cars and light commercial vehicles were manufactured worldwide in 2021. This puts the production volume at the level of 2020, a year substantially dominated by the coronavirus pandemic. In 2020, as countless automotive plants were closed in the wake of the coronavirus crisis, around 14 million fewer vehicles were produced than in 2019. The analysts at IHS Markit expected the automotive industry to recover from this slump in 2021 and in January 2021 predicted a production volume of 84 million vehicles for the year as a whole. Demand for new vehicles picked up considerably in 2021. That said, a shortage of semiconductors left car manufacturers unable to produce numerous vehicles on order, causing the production volume to stagnate at the 2020 level.

Global shortage of semiconductors

Innumerable industrial companies across the globe were preoccupied with a shortage of semiconductors in 2021. The impact was especially pronounced in the automotive industry: production lines were halted, plants closed temporarily, and employees put on short-time working. New cars could either not be delivered at all or some buyers had to do without specific driver assistance systems in new vehicles.

Even prior to 2020, bottlenecks facing raw material suppliers and geopolitical tensions between China and the USA led to a fraught situation in the semiconductor market. The coronavirus pandemic threw the chip market into disarray, and the semiconductor shortage grew worse. With vehicle manufacturers forced to shut down production for weeks in 2020 as mentioned, they reduced or sometimes cancelled orders for semiconductors. At the same time, manufacturers of communication and consumer electronics were demanding significantly more chips as sales of their products shot up. When auto sales improved again in the second half of 2020 and car manufacturers needed more semiconductors,

the cancelled production capacity was no longer available to them. It continues to be absorbed by manufacturers of smartphones, tablets, laptops, game consoles, etc. The automotive industry has since been faced with supply bottlenecks that could well last a while, as global demand for semiconductors is still higher than production capacity. It is likely to be one more year at least before this capacity has increased sufficiently.

No quick fix for supply chain problems

The automotive industry is not only facing a shortage of semiconductors, but is generally up against major supply chain problems, including a lack of components. This is due partly to congested ports, which in turn means slower turnaround rates for ships, containers, and other means of transport along with longer transit times and mounting logistics costs. IHS Markit analysts are working on the premise that there is no quick fix for the supply chain problems and that this could lead to a change in supply chain management within the automotive industry. In other words, vehicle manufacturers will have to move away from sticking rigidly to just-in-time manufacturing and instead be able to build up stocks of various components. This option would prove less costly than further production stoppages.

Supply chain difficulties also represented a substantial challenge for the Komax Group in 2021, prompting isolated supply hold-ups. In general, though, the Group tackled these problems very effectively and was for the most part able to provide the accustomed level of reliability on deliveries. Komax expects supply chains to continue posing a significant challenge in 2022 as well and is ready to direct considerable efforts at avoiding delivery delays as effectively as possible.

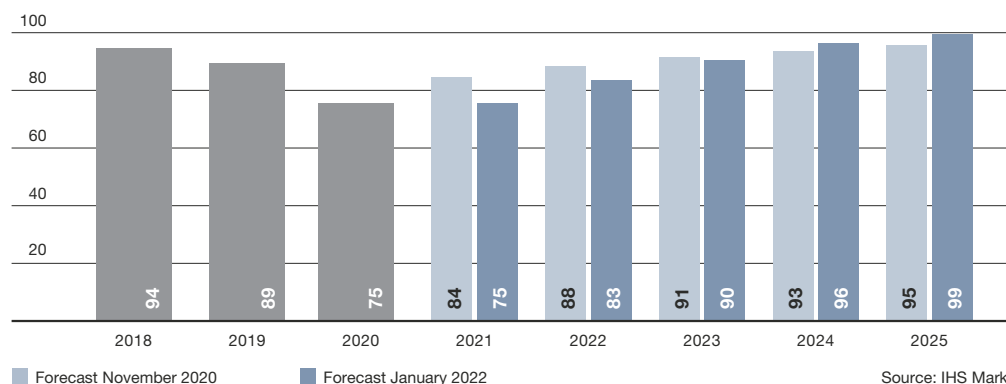
Further shift to Asia

Compared with 2020, the number of vehicles produced in the individual regions changed only very little in 2021. In Europe, 15.7 million vehicles were produced, representing a decrease of 0.9 million vehicles, or 5.4%. The opposite trend was seen in Asia, where 41.8 million vehicles were produced, i.e., 0.8 million, or 2.0%, more than in 2020. Production volume changed only minimally in North America (-0.5%), with South America registering a sizeable jump (+13.1%).

China remains by far the world’s biggest automotive producer. In the year under review, 23.6 million vehicles were manufactured in China, corresponding to over 31% of global vehicle production. In other Asian countries, a further 18.2 million vehicles were produced, which means that a total of some 56% of vehicle production took place in Asia. That is one percentage point more than in 2020. Vehicle production has thus continued to shift to Asia since 2019, when 52% of all cars and light commercial vehicles were manufactured there.

Number of passenger cars and light commercial vehicles produced

in millions



Source: IHS Markit

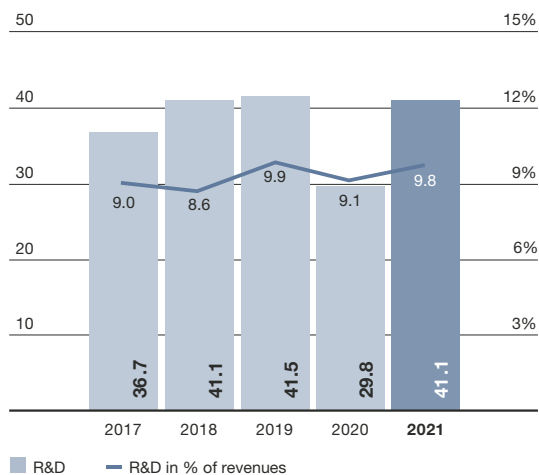
INVESTMENTS IN THE FUTURE

Innovation is a driver of success for Komax. This is why it has been channeling above-average investment into research and development for years. Trends such as autonomous driving, e-mobility, and digitalization offer many opportunities. Additional investments are necessary in order to take advantage of these opportunities and offer customers further innovative solutions.

Komax strives to use its innovative strength to develop leading products and digital services with which its customers can gain competitive advantages. The company has therefore set itself the goal of spending 8%–9% of Group revenues on research and development (R&D) annually. In 2021, Komax invested CHF 41.1 million or 9.8% (2020: 9.1%) in the optimization of existing products and the development of new ones. This amount comprises expenditure on internal development services (CHF 36.9 million) and the development services of third parties (CHF 4.2 million).

R&D expenditure

in CHF million



Komax spent CHF 11.3 million more on R&D in 2021 than in 2020 as, due to the coronavirus pandemic, many employees went onto short-time working and the personnel costs that accounted for the majority of R&D expenditure thus fell sharply in 2020.



SMART FACTORY by KOMAX

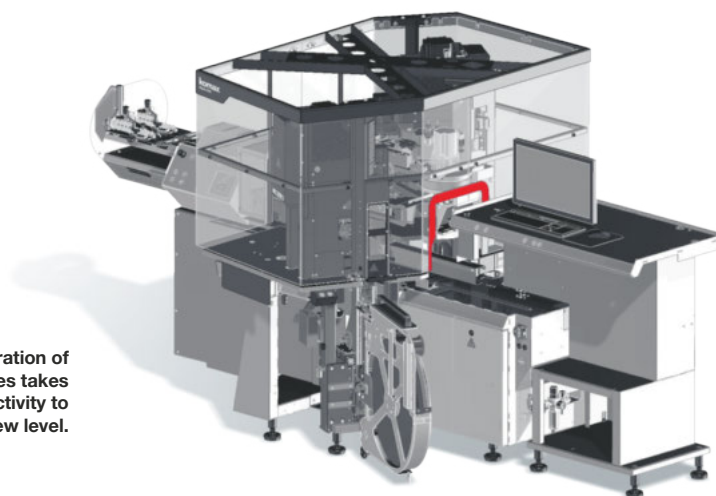
A large number of products are becoming increasingly more intelligent and electrically complex. Komax's customers are involved in these trends and supply key components, so they have to overcome huge challenges: despite the increasing complexity, they have to deliver sustained high quality while keeping costs as low as possible. To make this possible, Komax provides its customers with SMART FACTORY by KOMAX, which encompasses products and solutions that substantially reduce quality costs and significantly increase wire processing productivity. In specific terms, this means demonstrably fewer faults and greater efficiency, even in complex production tasks. In this way, Komax – together with its customers – is providing consumers with intelligent products that are not only continuously improving, but also operate reliably and are affordable.

New Alpha generation – a ground-breaking development

A good example of the innovative technology emerging from the SMART FACTORY by KOMAX is the new generation of Alpha machines first unveiled towards the end of 2021. The core element of these crimp-to-crimp machines is a ground-breaking innovation: a fully automatic tooling and crimp change system that offers a highly efficient Plug & Produce concept. This technology is the result of a joint development project by Komax and TE Connectivity spanning many years. The crimp cassette system developed for this innovation combines the terminal reel and crimping die. The relevant data for production is elaborated and stored centrally, which facilitates clear identification of the processed wires.

In an era where personnel costs are continuously rising and a shortage of specialists is becoming increasingly apparent, Komax customers can secure a crucial advantage with the new Alpha generation: thanks to the intelligent, fully automatic tool changeover system, a change of material lasts less than a minute, whereas this process can currently take up to 15 minutes. The tool changeover is completely automatic and guarantees the ultimate in precision and process accuracy. The influence of operators on the quality of the wires to be processed is greatly minimized with this technology, as the newly developed system selects the settings itself and thereby prevents incorrect handling. Thanks to an exchange crimp cassette that can be docked onto any Alpha machine of the new generation, exactly the same crimping results can be guaranteed here too. A comprehensive field test at the production site of customer Kromberg & Schubert under series-production conditions over many months highlighted the enormous potential of this revolutionary innovation: production output per shift increased by up to 50%. During this time, more than 20 000 tool changes were implemented. No deviations from key quality criteria such as crimp height and pull force were identified, nor were there any visual control deviations. The first machine type of the new Alpha generation with this new technology as its core element will now be prepared for serial production with the first customers.

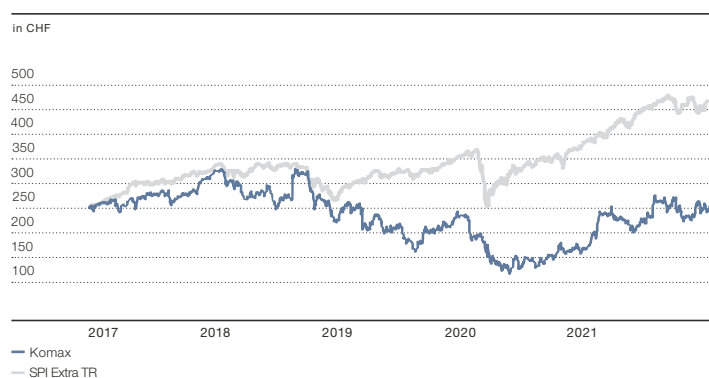
The new generation of Alpha machines takes quality and productivity to a new level.



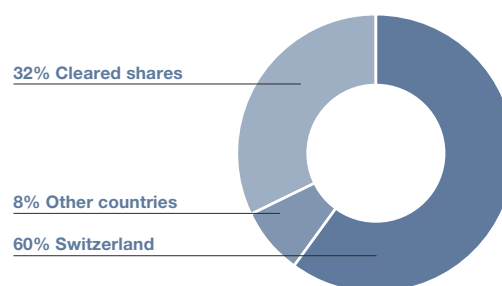
SHARE AND SHAREHOLDER BASE

Over the course of 2021, the daily closing price of the Komax share ranged between CHF 177.30 and CHF 276.60. The year-end closing price was CHF 253.00. This represents an increase of 43.5% on the 2020 year-end closing price (CHF 176.30). The market capitalization of the Komax Group at the end of 2021 was CHF 974.1 million.

Share price development



Geographical distribution of shareholdings



The shareholder base decreased by 838 to 5 443 in 2021. In the past five years – i.e., since the end of 2016 – the shareholder base has grown by approximately 2 300. The majority of shares not held in Switzerland are held in Germany, the United Kingdom, and the United States. The free float as defined by SIX Swiss Exchange stands at 100%.

Komax registered share: key data

		2021	2020	2019	2018	2017
Share capital as at 31 Dec.	in TCHF	385	385	385	385	383
Number of shares as at 31 Dec.	No.	3 850 000	3 850 000	3 850 000	3 847 510	3 834 482
Basic earnings per share	CHF	7.90	-0.34	3.44	13.52	11.05
EBITDA per share	CHF	15.70	6.85	9.58	20.52	17.35
EBIT per share	CHF	11.65	2.93	6.25	17.56	14.45
Shareholders' equity per share	CHF	68.81	61.42	63.53	73.20	67.33
Highest price	CHF	276.60	238.80	264.00	329.00	319.50
Lowest price	CHF	177.30	122.00	165.10	223.00	243.50
Closing price as at 31 Dec.	CHF	253.00	176.30	236.40	230.00	319.50
Average daily trading volume	No.	8 846	15 809	16 802	13 342	12 274
P/E (price-earnings ratio) as at 31 Dec.		32.0	-518.5	68.7	17.0	28.9
Distribution per share	CHF	4.50 ¹	0.00	0.00	7.00	6.50
Dividend yield as at 31 Dec.	%	1.8 ¹	0.0	0.0	3.0	2.0

¹ Proposal of the Board of Directors of Komax Holding AG: distribution of CHF 4.50 per registered share.

Five year overview

in TCHF	2021	2020	2019	2018	2017
Income statement					
Revenues	421 067	327 623	417 771	479 698	408 509
Gross profit	265 907	199 860	258 930	297 903	256 476
in % of revenues	63.2	61.0	62.0	62.1	62.8
EBITDA	60 343	26 340	36 837	78 614	66 115
in % of revenues	14.3	8.0	8.8	16.4	16.2
Operating profit (EBIT)	44 794	11 254	24 035	67 254	55 069
in % of revenues	10.6	3.4	5.8	14.0	13.5
Group earnings after taxes (EAT)	30 375	-1 319	13 221	51 787	42 101
in % of revenues	7.2	-0.4	3.2	10.8	10.3
Depreciation	15 549	15 086	12 802	11 360	11 046
Research and development	41 066	29 756	41 531	41 051	36 668
in % of revenues	9.8	9.1	9.9	8.6	9.0
Balance sheet					
Current assets	313 895	253 219	288 867	313 605	291 102
Non-current assets	200 996	198 870	192 369	149 299	123 356
Current financial liabilities	7 478	7 106	17 188	0	0
Non-current financial liabilities	141 597	137 169	136 504	90 338	69 856
Total liabilities	249 987	215 603	236 632	181 264	156 280
in % of total assets	48.6	47.7	49.2	39.2	37.7
Share capital	385	385	385	385	383
Shareholders' equity ¹	264 904	236 486	244 604	281 640	258 178
in % of total assets	51.4	52.3	50.8	60.8	62.3
Total assets	514 891	452 089	481 236	462 904	414 458
Net cash (+) / net indebtedness (-)	-98 391	-92 426	-106 224	-39 358	-10 544
Cash flow statement					
Cash flow from operating activities	33 006	41 766	41 287	29 629	26 767
Investments in non-current assets	38 062	25 811	54 448	41 340	22 201
Free cash flow	-5 492	15 435	-36 886	-4 340	-7 582
Employees					
Headcount as at 31 December	No. 2 121	2 095	2 211	2 006	1 841
Revenues per employee ²	215	177	197	248	238
Gross value added per employee ²	110	83	92	120	118
Net value added per employee ²	102	75	86	114	112

¹ Equity attributable to equity holders of the parent company.

² Calculated on the basis of the average headcount.

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Financial calendar

Annual General Meeting	13 April 2022
Half-year results 2022	17 August 2022
Investor Day	28 October 2022
Preliminary information on 2022 financial year	24 January 2023
Annual media and analyst conference on the 2022 financial results	14 March 2023
Annual General Meeting	12 April 2023

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.

Imprint

Published by:

Komax Holding AG, Dierikon

Design and realization:

Linkgroup AG, Zurich

www.linkgroup.ch

Produced on a climate-neutral basis by Multicolor Print AG, Baar

