

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