

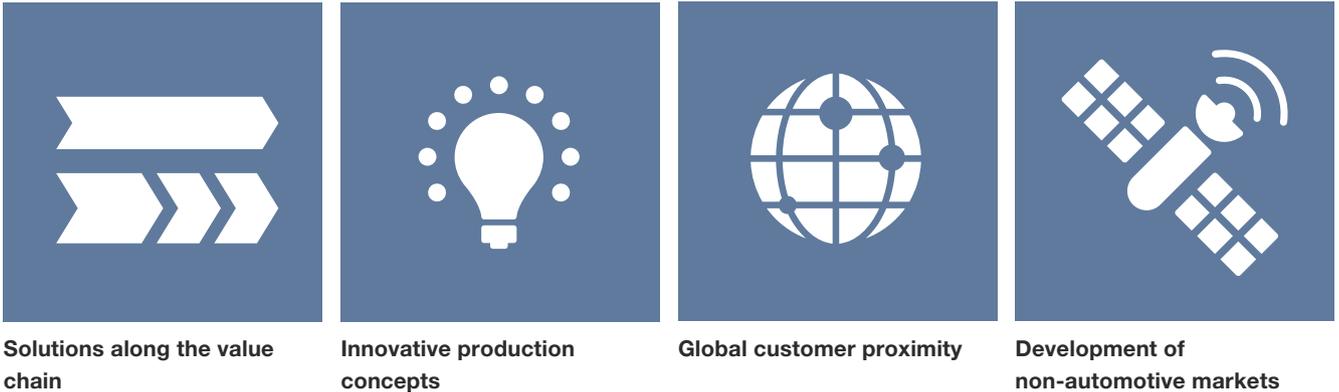
BUSINESS MODEL AND STRATEGY

Komax offers its customers cutting-edge technical solutions for automated wire processing in four market segments, and continuously strives to improve its competitiveness. To this end, it pursues four key strategic priorities. Above-average profitability and sustainable growth are important objectives here. This goes hand in hand with environmentally conscious, socially aware, and responsible conduct towards all stakeholder groups.

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. Digital services 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.

Four key strategic priorities

Komax has more than 45 years' experience in the development of customer-oriented solutions for wire processing and pursues a sustainable growth strategy that involves four key priorities:



Solutions along the value chain

Innovative production concepts

Global customer proximity

Development of non-automotive markets

Solutions along the value chain

Thanks to many decades of experience and its proximity to its customers (see page 6), Komax understands their needs and offers them a comprehensive range of innovative and reliable automation solutions. The offering covers the most capital-intensive and critical processes of customer value chains – from measuring and cutting wires to the taping process and finally the testing of the completed wire harness (see pages 36 and 37). Komax relies not only on its proprietary developments, but also on the expertise of established partners. As a result, customers receive solutions for the key wire processing applications from a single source. This approach is unique in the world. Thanks to a number of acquisitions in recent years, Komax has succeeded in closing the existing gaps in its spectrum of products and solutions, with the result that it can now offer its customers end-to-end solutions. Komax has the broadest portfolio of solutions, which means that it can address a whole range of customer needs in a targeted way. To enable its customers to continue to increase productivity in the future, Komax works with a number of partners in the field of software, among others. Komax strives to network and manage the individual processes in the value chain, such as through Komax MES (Manufacturing Execution System) and Komax Cloud MES, a form of production control software for the wire processing industry 4.0, launched in collaboration with iTAC Software.

Innovative production concepts

For a market leader like Komax, innovations are of maximum strategic importance. Komax has therefore been investing in innovations to optimize its existing product range, as well as in new developments, for many years. Every year, Komax channels some 8%–9% of revenues into research and development (see page 16). The bottom line here is to give customers an additional competitive edge by making their processes safer and more efficient. All activities are systematically geared toward customer needs and expectations. That is why Komax typically employs interdisciplinary teams – consisting of marketing experts, product managers, and development engineers – on innovation projects. For example, skillfully combining different processes and technologies reduces interfaces and lead times. At the same time, processing reliability is increased.

Global customer proximity

Komax has 19 engineering and production sites located in Europe, Asia, North and South America, and Africa. The company provides sales and service support in more than 60 countries through its subsidiaries and independent agents, which gives it a unique global presence. It has set itself the goal of being close to its customers so that it can provide outstanding service combined with the shortest possible response and supply times.

To remain competitive, Komax's customers need to be flexible and select the optimal economic locations for their production processes – in other words, set up operations wherever their end customers are. This is also true for Komax. To ensure that it stays close to its customers, including when those customers choose to relocate, Komax likewise has to show flexibility. For this reason, Komax seeks to expand its global reach in a targeted way, be it through acquisitions – as described in the section entitled “Selective acquisitions” – or through the establishment of new sites.

Development of non-automotive markets

Komax now generates around 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 (see pages 14 and 15), all of which have synergy potential with the core business: aerospace, data communication and telecommunication (data/telecom), and industrial applications (industrial). As these offer attractive long-term growth opportunities, Komax is seeking to increase its penetration of these markets. If this is to be achieved, targeted investment in marketing and sales is essential.

Selective acquisitions

The primary goal of the Komax Group is to grow organically. In addition, potential candidates and opportunities for acquisitions are carefully examined as part of a clearly defined acquisition strategy that revolves around its four key strategic priorities. The acquisitions completed in recent years have played a significant role in the implementation of the strategic priorities. Examples of such acquisitions include the TSK Group (2012; solutions along the value chain), SLE quality engineering (2014; innovative production concepts), Thonauer Group (2016; increase in global reach), Laselec (2017; innovative production concepts and development of non-automotive markets), Artos Engineering (2019; increase in global reach and innovative production concepts), and Exmore (2019; innovative production concepts).

The acquisitions it has made to date are not enough to secure the company's competitiveness over the long term and consistently drive forward the automation of wire processing. Komax is therefore seeking a combination with the Schleuniger Group in 2022 (see page 3).

R&D expenditure accounts for
8% — 9%
of revenues



Komax Group brands

The acquisitions of recent years mean that the Komax Group is present in the market with six further brands in addition to the Komax brand itself:



Over the last few years, Komax has increasingly transformed itself into a provider of solutions and services along the entire value chain. As a result, the companies and products that lie behind the individual brands have converged more and more and now complement one another optimally. In order for this to be reflected in its public image moving forward, the Komax Group will focus on the Komax brand in the future and relinquish the remaining brands. This step will be implemented by the course of the second half of 2022.

Mid-term targets

The Komax Group has a robust capital base, and has set itself ambitious targets for both growth and profitability by 2023. It is seeking to increase the value of the company on an ongoing basis through profitable growth. Based on IHS Markit's analyses of developments in the automotive market, the Board of Directors set revenue and EBIT targets for 2023 and confirmed the company's attractive distribution policy at the beginning of March 2020 – i.e., before the extent and the consequences of the coronavirus pandemic had become apparent.

Komax is striving to achieve revenues of CHF 450–550 million by 2023, primarily on the basis of organic growth. Komax is estimating that the market will grow on average by at least 8%–10% per year from 2021 to 2023. This growth is based on the annual increase in the number of vehicles produced globally (CAGR: 6%–7%) and the steady rise in the degree of automation in wire processing (CAGR: 2%–3%). Komax is expecting to generate annual organic revenue growth at least in line with the growth of the market.

The company has a broad portfolio of innovative solutions. Rising revenue figures and an advantageous product mix enable Komax to deliver disproportionately high increases in profitability. It is seeking to achieve EBIT of CHF 50–80 million in 2023.

Thanks to a business strategy that is geared toward long-term success, Komax creates sustainable value that benefits investors too. Komax has set itself the goal of distributing 50%–60% of Group earnings after taxes (EAT) to its shareholders every year until 2023.

450
—
550

Revenues 2023 in CHF million

50
—
80

EBIT 2023 in CHF million

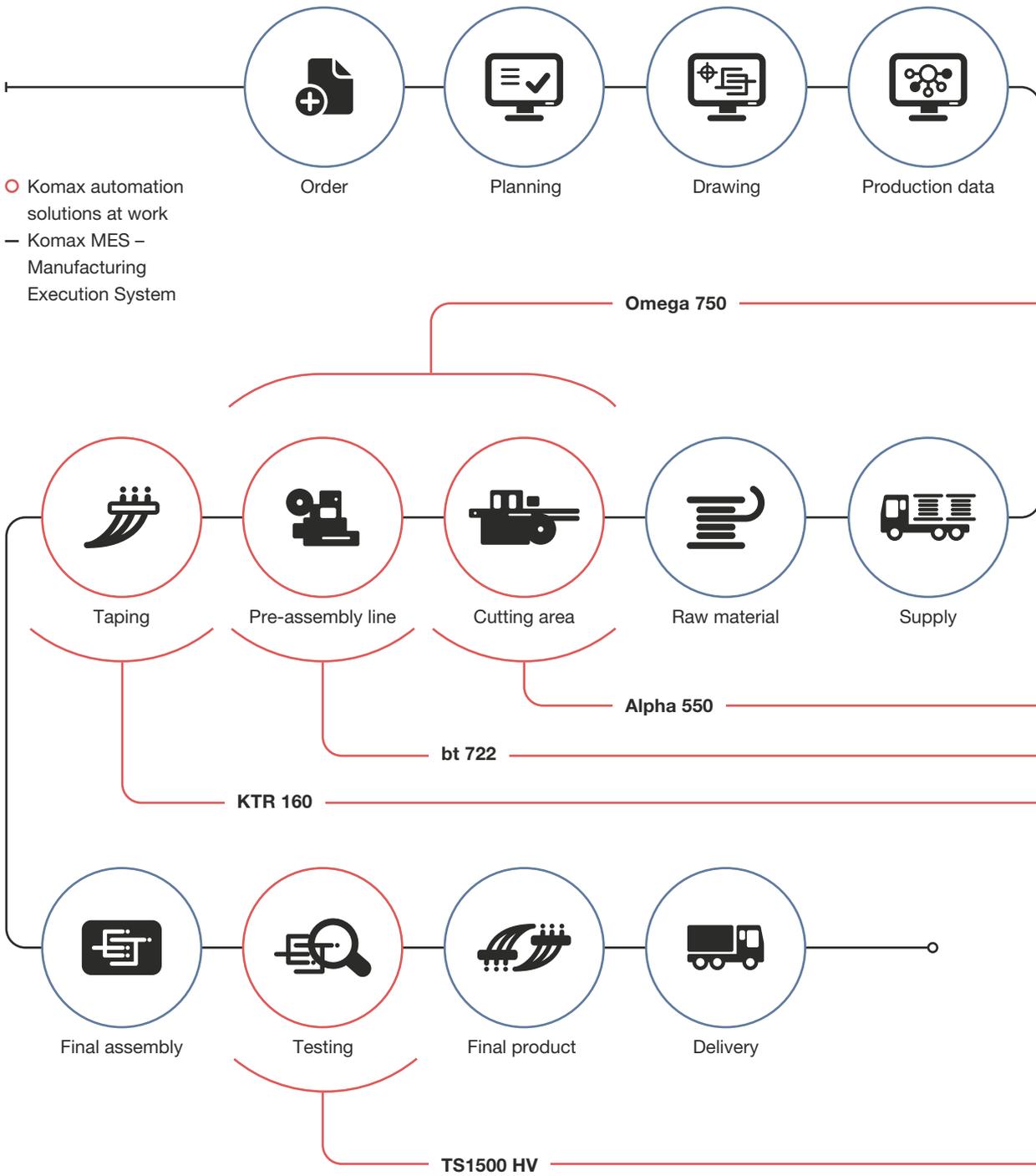
50
—
60

Payout ratio in % of EAT

	2021	2020
Revenues (in CHF million)	421.1	327.6
EBIT (in CHF million)	44.8	11.3
Payout ratio (in % of EAT)	57.0	0.0

Following completion of the planned combination of Komax and Schleuniger, account will be taken of the changed situation at the given time with new targets.

SOLUTIONS ALONG THE VALUE CHAIN



The majority of Komax customers are wire harness manufacturers whose business consists of processing the individual wires – predominantly by hand – into wire harnesses and delivering these to vehicle manufacturers (OEMs). Komax offers its customers a wide range of solutions and systems for the automated and efficient processing of wires and for the taping and testing of wire harnesses. These are used in the cutting room, at the pre-assembly stage, and when taping and testing. In addition, Komax supports its customers along the entire value chain – from planning through to delivery – with the Komax MES. This software automates the planning, controlling, monitoring, and analysis of all resources and production processes. This has the effect of optimally deploying machines, materials, and employees, so that wire harnesses can be completed to deadline, as well as to the requisite quality.



Cutting, stripping, crimping, block loading

With the Omega 750, the cutting, stripping, crimping, and loading of terminals is undertaken with just one machine. The end product is a wire harness fitted with contact housings on both sides, produced in a fully automated way.



Cutting, stripping, crimping

Fully automatic crimping (crimp to crimp) and twisting machines can be found in the cutting room. For the double-sided crimping and fitting of seals, Komax customers use the fully automated Alpha 550 crimping machine, which can twist and tinplate the braids, among other things.



Semi-automatic crimping

In order to be able to process individual lines at the pre-assembly stage, customers use a machine like the benchtop crimper Delta 240. The programmable stripping unit, automatic fine adjustment of crimp height, integrated crimp force monitoring, and bad crimp cutter guarantee a high level of quality.



Taping

In order to reduce sources of noise and prevent electromagnetic disruptions, wire harnesses are taped, as with the KTR 160. The act of bundling wires or attaching clips to wire harnesses is likewise covered by this section of the value chain.



Testing

Before Komax customers deliver the completed wire harnesses to the OEM, they subject every single wire harness to a connection test (electrical test). For this they rely on test systems, such as the TS1500 HV for high-voltage cables.