

2021 financial year and outlook

WELL POSITIONED FOR A SUCCESSFUL FUTURE

Komax made steady progress in its return to pre-crisis business levels in 2021. The company believes it is well positioned to tackle the numerous challenges it faces in 2022, and will respond to the needs of its customers with the launch of new products.



Beat Kälin, Chairman

Beat Kälin, Komax got back to pre-crisis business levels in the second half of 2021, and recorded a very good result for the year overall. What developments particularly pleased you?

Beat Kälin: The years 2019 and 2020 were truly challenging for Komax. In 2019 we felt the impact of a sluggish automotive industry, and 2020 inflicted a further blow in the form of the coronavirus pandemic. Both the workforce and management as a whole performed extremely well against this challenging backdrop. We were convinced that our efforts would pay off – and that we would emerge from the crisis stronger. It then became clear in 2021 that our confidence was not misplaced, and that we had set the right course over the previous two years. Komax is therefore well positioned for the future, which greatly pleases me and gives me confidence moving forward.

Matijas Meyer, what exactly were the challenges confronting Komax in 2021?

Matijas Meyer: The coronavirus pandemic and its associated uncertainties were still very much with us last year. As it was unclear what effects the pandemic would have in 2021, planning for the year was very difficult. When demand for our solutions suddenly increased sharply after a subdued start to the year, we had to ramp up production capacity within a short period of time. This rapid acceleration of production proved very successful, and I see this as further proof that our production processes function well in our new

headquarters building. In other words, our production structures are set up in a way that enables us to flexibly adjust capacity to the needs of the market.

What other challenges did you face?

Matijas Meyer: Supply chain difficulties preoccupied us enormously. It was above all thanks to the great dedication and expertise of our employees in procurement that we were able to live up to our accustomed delivery reliability for the most part, despite all the challenges we faced. We also found the numerous travel restrictions resulting from the coronavirus pandemic to be quite a challenge. This really complicated things like machine acceptance, service deployments, and the acquisition of new business.

“Despite all the challenges, we were for the most part able to guarantee our accustomed delivery reliability.”

Matijas Meyer

Did the supply chain situation improve over the course of the year?

Matijas Meyer: Unfortunately not, and we must be prepared for supply chain difficulties to continue to hang over us for at least the first half of 2022. It will continue to be a huge task for us to prevent or at least minimize any delivery delays. This will be extremely challenging.

What changed for Komax from a strategy perspective during the coronavirus pandemic?

Beat Kälin: The coronavirus pandemic changed nothing in respect of our growth strategy and the associated strategic thrusts. Nor was there any reason why it should have done – the global megatrends that are driving an increase in the automation of wire processing are the same as they were two years ago.

What growth drivers do you mean?

Beat Kälin: It's important to remember that a significant proportion of wire processing is still done by hand. And given the rising wage costs, a shortage of available personnel, an increase in quality demands, wire miniaturization, and the increasing importance of the traceability of individual process steps, the need for automation solutions is rising continuously. This is also being supported by trends such as



Matijas Meyer, CEO

e-mobility and autonomous driving, as the construction process in this area involves numerous high-voltage cables and data cables that should ideally be processed by machines. Moreover, there is evidence of customers seeking to shorten their supply chains, which will likewise favor automation. After all, if wire processing is repatriated to countries with higher wage costs, headcount will have to be reduced in order to offset these additional costs. This makes greater automation unavoidable.

How is Komax positioned in the area of e-mobility and other trends?

Matijas Meyer: We have been investing heavily in research and development for many years now in order to be able to offer innovative solutions for the different needs of our customers. Whether for the automated processing of high-voltage cables, data cables, or other special types of wiring, we are extremely well positioned with our products and services. This is also true of numerous other solutions in our broad product portfolio. That said, our competitors are hardly asleep at the wheel, so we will continue to invest some 8% to 9% of annual revenues in research and development.

Did the company's ability to innovate suffer as a result of the coronavirus pandemic?

Matijas Meyer: For a good 12 months – specifically from the start of March 2020 to the end of March 2021 – we had to scale back our development activities significantly. During this period, our employees in Switzerland – which is where our center of innovation is based – were on short-time working, hence they could only drive forward development projects at a slower pace. Even so, we still succeeded in

bringing numerous new products to market in 2021. And I am already able to say that there will be a number of further highlights coming in 2022, which will provide our customers with added value.

Was there any particular new product development that stood out in 2021?

Matijas Meyer: Yes, the new generation of Alpha machines, i.e., our crimp-to-crimp machine. I don't think I'm exaggerating when I say that this is a truly ground-breaking innovation. Rather than going deep into the technical details, let me just provide a few figures that demonstrate what we have achieved here. It typically takes about 15 minutes for a change of material when a crimp-to-crimp machine is being used. But with the use of the intelligent, fully-automatic tool changeover system which we developed in collaboration with TE Connectivity over many years, that process now takes less than a minute. The field tests carried out in a customer's factory over several months showed that the new system can increase production output per shift by up to 50%. We are setting new benchmarks with this technology, and I really look forward to delivering the first machines of this new generation, probably during the second half of 2022. The new machine will therefore have no impact on our business results for 2022.

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Beat Kälin

Komax recorded a much higher EBIT margin in the second half of 2021 than in the first half of the year. How did that come about?

Matijas Meyer: As I mentioned earlier, business only really started to recover during the first half of the year, but from the second quarter onwards it continued to accelerate from one month to the next. This upturn was also attributable to an increasingly advantageous product mix. Put simply, we were once again selling significantly more crimp-to-crimp machines. With this standard machines, a higher volume has a very positive impact on the development of EBIT. What's more, we continued to benefit from a low cost base, as we could not immediately meet the additional staffing requirement demanded by the recovery. Personnel costs will be

noticeably higher in 2022, as wages are rising sharply in many countries, and we will have a larger overall workforce.

Group earnings after taxes for 2021 worked out some CHF 32 million higher than the previous year. What does this mean for the dividend?

Beat Kälin: After having to renounce the payment of a dividend for two years due to the major challenges we faced, I am pleased that shareholders will once again be able to participate in our business success. We will be distributing CHF 4.50 per share, which equates to a payout ratio of 57.0%. This is in keeping with our attractive dividend policy of distributing 50% to 60% of Group earnings after taxes to our shareholders.

What progress did Komax make in the area of ESG in 2021?

Beat Kälin: Komax has made steady progress in the spheres of environment, social, and governance over the last few years. What we have lacked up until now, however, is a consistent strategic anchoring of ESG at Komax. This is set to change. At the initiative of the Board of Directors, the first steps were taken in this regard in 2021, such as embarking on a materiality analysis, for example. What's more, processes were established that will allow us to gather relevant environmental data in future, and we have also started to work with EcoVadis. Over the course of the second half of 2022 we plan to publish comprehensive environmental data for the first time and report on Komax's ESG strategy and targets.

Were any other ESG themes addressed in the reporting year?

Matijas Meyer: The ESG concept is incorporated into many other areas of our business activity, even if it is not explicitly perceived as such in some cases. For example, it is inherent in the many measures taken by Komax each year to offer its employees an attractive working environment. But ESG also plays a role when it comes to the product portfolio. This is most apparent with the machines that are required for the processing of high-voltage cables, which are a key element of the electric drive system in electric vehicles. So with our machines we are actively supporting the transition to climate-friendly e-mobility.

It probably came as a surprise to most people when you announced your planned combination with Schleuniger at the start of February 2022. What are the strategic considerations behind this move?

Beat Kälin: It is about securing long-term competitiveness. There are various trends that offer a number of opportunities for Komax and Schleuniger. 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. One trend is the ongoing shift of the automotive market to Asia. If we want to be able to assert ourselves in the growing Asian market and avoid the risk of gradually losing market share, we must invest in new solutions and services. A further trend – as I touched on earlier – is the automation of wire processing. This has picked up pace in recent years, and offers considerable growth potential due to the increasing global shortage of specialist personnel. The trends of digitalization, autonomous driving, and e-mobility likewise offer growth opportunities and potential for differentiation. Significant investment is required here, along with the further recruitment and development of highly-qualified specialists.

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Matijas Meyer

What will the various stakeholder groups get from this combination?

Matijas Meyer: For our customers we will obviously continue to be a reliable partner. But thanks to the combination we will also have additional expertise and more resources, which will enable us to react more quickly to trends. We will therefore be able to respond even better to the needs of our customers, and support them with innovative products and services as they gradually increase their degree of automation. This innovative strength will help secure our competitiveness, which is something that will benefit shareholders and employees alike. After all, this combination will lay the foundations for sustainable growth, investment in the future, and the creation of further jobs and apprenticeships. Moreover,

our workforce of more than 3 000 will be given additional development opportunities within an advanced technology group.

Following the combination, Metall Zug will hold 25% of Komax shares. What's your take on that?

Beat Kälin: In Metall Zug we will be gaining a reliable anchor shareholder with a long-term orientation, and a shareholder that attaches great importance to sustainable company management. This is something we value highly, and it complements the strategic orientation of Komax itself. The long-term approach adopted by Metall Zug is also evident from the fact that it has committed to a six-year lock-up period during which it will in principle not sell shares.

When will the combination take place?

Beat Kälin: We are expecting to complete the combination in the third quarter of 2022. However, first of all the Annual General Meeting must approve the creation of authorized capital so that we can issue new shares. These will then be allocated to Metall Zug AG in exchange for the shares of Schleuniger. Another point is that the combination cannot be executed until it has the approval of the relevant competition authorities, although this is something we do expect to receive. Until then, Komax and Schleuniger will remain independent of one another, and no shared business activities will take place.

What will happen then?

Matijas Meyer: We will then take the time to analyse the new situation in detail before embarking on the next steps. Due to the competitive situation in which Komax and Schleuniger currently find themselves, an exhaustive analysis has not yet been possible.

Irrespective of the combination with Schleuniger, what other issues will preoccupy you in 2022?

Matijas Meyer: I am basically confident that the company's upward trend will continue in 2022. Nonetheless, we will continue to face challenges in many areas, be it supply chain difficulties, rising material costs, product developments, or the sourcing of specialist labor. In addition, we now face a number of challenges as a result of the current geopolitical situation.