

## Media release

### **Phoenix Mecano January-September 2018: Continued growth in sales and earnings – ELCOM/EMS in the black – Environment becoming more challenging**

Kloten/Stein am Rhein, 30 October 2018. Phoenix Mecano, a leading technology company active in the production and distribution of enclosures and industrial components, increased its sales and incoming orders in the first nine months of 2018. The operating result rose disproportionately.

All divisions experienced growth. The Group's organic growth was mainly generated in electrical actuator technology for comfort and healthcare furniture in Asia and North America. Sales also increased in the Group's key European industrial markets. With the ELCOM/EMS division on track to break even, the Group's operating result and result of the period grew disproportionately.

Consolidated gross sales rose by 4.6% from €475.2 million to €497.3 million. Adjusted for currency effects, sales were up by 7.0%. Organic growth in local currency was 6.0%. Net sales totalled €493.1 million (previous year: €470.8 million). Incoming orders increased by 6.7% from €468.4 million to €499.8 million, corresponding to a book-to-bill ratio of 100.5% (previous year: 98.6%).

The operating result increased by 49.0% from €26.2 million to €39.1 million and operating cash flow by 25.2% from €48.3 million to €60.5 million. Adjusted for one-off items, the operating result grew by 7.7% from €33.7 million to €36.3 million and operating cash flow by 5.7% from €54.6 million to €57.7 million. The one-off items in 2017 included expenses for adjustments to the product portfolio and production infrastructure in the ELCOM/EMS division. In 2018, a one-off gain of €2.8 million was generated in the second quarter through the sale of Wijdeven Inductive Solutions BV in the Netherlands (see media release of 3 May 2018).

The result of the period after taxes was €27.5 million, up 58.7% on the previous year (€17.4 million). The financial result was down €1.4 million year-on-year. The tax rate in the reporting period was 25.5% (previous year: 31.9%). The reduction is mainly attributable to the aforementioned one-off items.

## **Development of the Group's divisions**

In the **Enclosures** division, gross sales were up by 2.2% in local currencies, with sales in the reporting currency rising by 0.5% to €143.0 million. The operating result declined by 2.6% to €18.7 million, while the operating margin stood at 13.1% (previous year: 13.5%). Germany, the division's largest national market, saw sales growth of 4.1% amid moderate investment confidence. In Southeast Asia, the division recorded a 7.9% drop in sales after an exceptionally strong performance the previous year, mainly linked to the oil and gas project business. A slight market

recovery was already evident in the third quarter of 2018. The North American market grew by 14.6% in local currency.

The **Mechanical Components** division saw a double-digit increase of 11.7% in gross sales in local currencies and an 8.1% rise to €250.9 million in the reporting currency.

Both of the division's product areas contributed to the positive development. Rose+Krieger performed particularly strongly in components for custom machine building and system solutions for automation projects in Germany and North America. The high structural growth rates in the electrically adjustable comfort and reclining furniture business continued in both Asia and the US. DewertOkin is reinforcing this trend by focusing on the transition from pure linear actuator manufacturer to systems supplier of actuator solutions for electric motor-driven comfort and reclining furniture. This enabled double-digit growth rates in the Far East, particularly China, offsetting the largely moderate development in European markets.

The operating result fell slightly by 0.7% to €20.0 million. The margin was 8.0% (previous year: 8.7%). The punitive tariffs on Chinese goods imposed by the Trump Administration in 2018 resulted in increased costs as we adapted our supply chain to the changes. While, in the short term, the division could face further minor cost items related to these adjustments, we are well prepared for these new challenges thanks to our global production infrastructure.

The **ELCOM/EMS** division increased its gross sales by 2.9% in local currencies and by 2.5% to €103.4 million in the reporting currency. Organic growth was 0.7%. The operating result was €3.0 million (previous year: -€10.3 million). This includes the aforementioned one-off items. Adjusted for these items, the operating result improved from -€ 2.8 million to €0.2 million. The operating cash flow before one-off items increased by 63.3% to €8.0 million (previous year: €4.9 million).

The ELCOM/EMS division's productivity was adversely affected by bottlenecks in the availability of critical electrical components.

The continuous process improvements and efficiency enhancements in the Power Quality business area are proceeding as planned, with less of a cost burden on the division's result than in the previous year. Concurrent activities to further boost volumes will continue to be systematically implemented in the coming months, along with the launch of high-potential innovation projects.

The profitable Electromechanical Components and Electronic Packaging business areas showed a positive development, in terms of both sales and result. Both achieved growth in their core European markets, while Electronic Packaging was also able to take a strategically important step forward in North America. By expanding its range of custom industrial computer components with the recent acquisition of Orion Technologies LLC, it boosted growth rates in the US, although its operating result continues to be adversely impacted by the integration and development of joint sales and engineering capacities.

## Outlook

The Purchasing Managers' Index values (e.g., IHS Markit PMI) of relevance to Phoenix Mecano have fallen again recently, across the board. In global terms, the economy is still in the growth zone at 52.2 according to the index average, which is weighted by economic performance. However, future growth rates could be lower than in the year to date. This is partly due to the fact that central banks are introducing more restrictive monetary policies and simmering trade conflicts are increasingly impacting the economic situation.

As the results show, Phoenix Mecano is well positioned, even in this increasingly challenging environment, with the Group benefiting from its tried-and-tested business model and its global presence in structural growth markets. As a result, Phoenix Mecano can generate stable cash flows even when growth momentum is waning.

The Group's strategic focus is to generate profitable growth by expanding its leading positions in established markets while also developing new fields of application in innovative industries such as railway, medical, energy and automation technology. Megatrends such as the energy transition and digitalisation offer future opportunities that we will pursue and systematically exploit.

The management and Board of Directors are keeping a close eye on economic developments. In the current environment, they still anticipate a 2018 operating result within the target range of €40-46 million indicated at the start of the year. This does not include the aforementioned one-off income.

### **For more information, please contact:**

Phoenix Mecano Management AG  
Dr Rochus Kobler, CEO  
Lindenstrasse 23, CH-8302 Kloten  
Tel.: +41 (0)43 255 4 255  
info@phoenix-mecano.com  
www.phoenix-mecano.com

## Results Q1 – Q3 2018 in figures (in EUR million)

	<u>1-9 2017</u>	<u>1-9 2018</u>	<u>in %</u>
Incoming orders	468.4	499.8	6.7
Gross sales	475.2	497.3	4.6
per division:			
Enclosures	142.2	143.0	0.5
Mechanical components	232.1	250.9	8.1
ELCOM/EMS	100.9	103.4	2.5
Net sales	470.8	493.1	4.7
Operating cash flow	48.3	60.5	25.2
Margin	10.2%	12.2%	
Operating result	26.2	39.1	49.0
Margin	5.5%	7.9%	
per division:			
Enclosures	19.2	18.7	-2.6
	13.5%	13.1%	
Mechanical components	20.1	20.0	-0.7
	8.7%	8.0%	
ELCOM/EMS	-10.3	3.0	129.2
	-10.2%	2.9%	
Other	-2.8	-2.6	8.8
Result of the period	17.4	27.5	58.7
Margin	3.7%	5.5%	

## Results Q3 2018 in figures (in EUR million)

	<u>7-9 2017</u>	<u>7-9 2018</u>	<u>in %</u>
Incoming orders	151.0	149.9	-0.7
Gross sales	153.2	158.0	3.2
per division:			
Enclosures	46.0	47.1	2.3
Mechanical components	74.1	77.8	5.0
ELCOM/EMS	33.1	33.1	0.2
Net sales	151.8	156.7	3.2
Operating cash flow	14.2	17.7	24.4
Margin	9.3%	11.2%	
Operating result	5.2	10.8	107.5
Margin	3.4%	6.8%	
per division:			
Enclosures	6.3	5.8	-8.9
	13.8%	12.3%	
Mechanical components	6.5	5.8	-11.5
	8.8%	7.4%	
ELCOM/EMS	-7.2	0.1	101.6
	-21.7%	0.3%	
Other	-0.4	-0.9	-93.8
Result of the period	3.1	8.3	173.2
Margin	2.0%	5.3%	