Media release

Phoenix Mecano January - September 2019: Incoming orders and sales up – Performance enhancement programme under way – Guidance confirmed – Environment remains challenging

Kloten/Stein am Rhein, 29 October 2019. Phoenix Mecano, a leading technology company active in the production of enclosures and industrial components, recorded a slight increase in incoming orders and gross sales in the first nine months of 2019. Despite an acceleration in the third quarter, organic performance was down year-on-year. One-off items arising from the performance enhancement programme (see media release of 15 August 2019) combined with a slowdown in industrial activity and the US-China trade dispute impacted the Phoenix Mecano Group's result.

Following the switch to Swiss GAAP FER (see media release of 24 May 2019), the previous year's figures have been adjusted to the new accounting standard for the sake of comparability.

Consolidated gross sales rose by 0.7% from €497.3 million to €500.7 million. Organic growth in local currency was -3.6%. Net sales totalled €496.4 million (previous year: €493.1 million). Incoming orders increased by 0.6% from €499.8 million to €502.6 million, corresponding to a book-to-bill ratio of 100.4% (previous year: 100.5%).

Adjusted for one-off expenses of €4.1 million linked to the optimisation programme and the exceptional income of €1.9 million in the previous year, the operating result fell by 26.4% from €41.0 million to €30.2 million, the operating cash flow shrank by 18.4% from €57.6 million to €47.0 million. In the third quarter, the adjusted operating result was on a par with the previous year. Including one-off items, the operating result declined by 39.3%, from €42.9 million to €26.1 million, while the operating cash flow decreased by 27.5%, from €59.5 million to €43.2 million.

The result of the period after taxes was €16.3 million, down 45.4% on the previous year (€29.8 million). Book losses on foreign currency items had an above-average impact on the result of the period in Q3.

Development of the Group's divisions

In the **Enclosures** division, sales increased by 1.1% to €144.5 million. Adjusted for acquisitions and measured in local currency, they were down by 0.8%. In Germany, the division's biggest national market, sales remained stable despite perceptible caution among industrial customers. In Asia, project-based demand for specially certified enclosures for the process industry declined. The operating result shrank by 11.8% to €16.7 million. The operating margin was 11.5% (previous year: 13.2%).

In the **Mechanical Components** division, gross sales rose by 3.8% to €260.5 million. On an organic basis and in local currency terms, they were down by 4.5%.

The Rose & Krieger industrial segment, currently operating in a challenging economic climate, posted a slight decline in overall sales. Performance in the furniture and healthcare market differed from region to region. Asia saw an acquisition-related rise in sales, although profitability was impacted by the China-US trade dispute. In Europe, weak demand led to organic sales declines in the upper-single-digit range. The book-to-bill ratio for the DewertOkin product area was 105.7% (up from 95.8% the previous year), which bodes well for the coming months.

Roll-out of the optimisation programme is on track. The programme entails capacity adjustments taking account of weaker demand in Europe, portfolio streamlining and measures in response to the tariff conflict.

Adjusted for one-off expenses of €2.1 million, the operating result fell by 19.1%, from €21.0 million to €16.9 million. Including one-off items, the operating result contracted by 29.1% to €14.8 million. The margin was 5.7% (previous year: 8.3%).

In the **ELCOM/EMS** division, gross sales were down by 7.4% to €95.7 million, or 5.5% on an organic basis and in local currency terms. Adjusted for one-off costs of €2.0 million to implement site optimisations and the exceptional income of €1.9 million in the previous year, the operating result declined from €3.6 million to -€1.1 million. The operating cash flow before one-off items fell by 55% to €3.5 million (previous year: €7.9 million). The operating result including one-off items dropped to -€3.1 million.

The two business areas operating in the general industrial segment, Electrotechnical Components and Power Quality, faced economic headwinds and reported an operating loss. Capacity adjustments and ongoing activities to boost efficiency and continuously improve cost structures were driven forward. The profitable Electronic Packaging business area developed positively, despite project delays.

Outlook

Leading industrial indicators have weakened further. In September, the US Purchasing Managers' Index (PMI) fell to its lowest level since the 2009 financial crisis, while the globally weighted manufacturing PMI has been below 50 – signalling a contradiction – for five consecutive months.

In addition, growing economic concerns as well as geopolitical uncertainties, regarding developments in China-US relations for example, are likely to continue weighing on the global economy.

Phoenix Mecano has reacted promptly to this challenging economic environment. Having already implemented immediate measures, it is now resolutely focused on making further structural adjustments as part of its optimisation programme.

While the Phoenix Mecano Group expects the economic situation to remain challenging in the months ahead, it is deploying a range of business initiatives to generate growth. The acquisition of MyHome in April this year and its integration into the Mechanical Components division are already having a positive impact on sales, consolidating our market-leading position in system solutions and components for electrically adjustable upholstered furniture. Systematic expansion of the Group's existing product and service offerings is opening up attractive organic growth opportunities in new areas of application within up-and-coming industrial markets. Examples include initiatives in the field of automation solutions (RK Rose&Krieger) and the recent acquisition of German firm CRE Rösler, which will enhance our system capabilities in human-machine interfaces (Enclosures division).

The costs of the performance improvement programme will impact the 2019 result. Excluding these one-off items, Phoenix Mecano's management and Board of Directors expect the full-year operating result for 2019 to lie within the previously announced target range of €33-40 million.

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Results Q1 – Q3 2019 in figures (in EUR million)

	1-9 2018*	1-9 2019	in %
Incoming orders	499.8	502.6	0.6
Gross sales	497.3	500.7	0.7
per division:			
Enclosures	143.0	144.5	1.1
Mechanical components	250.9	260.5	3.8
ELCOM/EMS	103.4	95.7	-7.4
Net sales	493.1	496.4	0.7
Operating cash flow	59.5	43.2	-27.5
Margin	12.0%	8.6%	
Operating result	42.9	26.1	-39.3
Margin	8.6%	5.2%	
per division:			
Enclosures	18.9	16.7	-11.8
	13.2%	11.5%	
Mechanical components	21.0	14.8	-29.1
	8.3%	5.7%	
ELCOM/EMS	5.5	-3.1	-157.0
	5.3%	-3.3%	
Other	-2.5	-2.3	9.8
Result of the period	29.8	16.3	-45.4
Margin	6.0%	3.3%	

* From the start of 2019, the consolidated financial statements are being prepared in accordance with Swiss GAAP FER.
The previous year has been adjusted accordingly to facilitate comparison with the current financial period.

Results Q3 2019 in figures (in EUR million)

	7-9 2018*	7-9 2019	in %
Incoming orders	149.9	176.3	17.6
Gross sales	158.0	173.9	10.1
per division:			
Enclosures	47.1	49.1	4.3
Mechanical components	77.8	93.5	20.2
ELCOM/EMS	33.1	31.3	-5.7
Net sales	156.7	172.5	10.1
Operating cash flow	17.7	15.7	-11.8
Margin	11.2%	9.0%	
Operating result	12.3	9.5	-23.0
Margin	7.8%	5.4%	
per division:			
Enclosures	5.9	5.7	-3.4
	12.4%	11.5%	
Mechanical components	5.9	5.6	-4.7
	7.5%	6.0%	
ELCOM/EMS	1.2	-1.5	-229.7
	3.6%	-5.0%	
Other	-0.7	-0.3	57.7
Result of the period	9.3	4.7	-49.2
Margin	5.9%	2.7%	

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