

Corporate news

## **KAP REACHES 2023 ADJUSTED GUIDANCE FORECAST AND PROJECTS SIGNIFICANTLY RISING EBITDA**

- Revenue of €316.7 million and normalised EBITDA of €15.6 million (adjusted for the companies sold in April 2023)
- Negative factors include supply chain issues and negative macroeconomic developments in the construction sector and the automotive sector
- Structural measures are starting to produce first noticeable results
- Guidance forecast for 2024: moderate increase in revenue, significant increase in normalised EBITDA

**Fulda, 26 April 2024** – KAP AG (“KAP”), a listed, medium-sized industrial holding company, reached in the 2023 financial year its guidance forecast as adjusted in August in a difficult macroeconomic environment. While the Company is still not satisfied with the figures achieved, it is already seeing a positive trend reversal on individual core markets.

Overall, the still weak global economy, negative exceptional economic developments in key target markets such as the construction sector or the automotive industry as well as supply chain issues weighed on the Company in 2023. On a comparable basis – that is without the subsection of the *flexible films* segment sold in April 2023 – KAP generated revenue of €316.7 million in the 2023 financial year, down 12.1% (previous year: €360.1 million). Including the subsection sold, revenue amounted to €337.0 million, down 22.3% on 2022.

Normalised EBITDA came to €15.6 million (previous year: €23.5 million) and the respective margin was 4.9% (previous year: 6.5%) at the end of 2023, without the subsection of the *flexible films* segment sold in the reporting period. Including the subsection sold, normalised EBITDA was at €17.3 million, which represents a substantial decrease on the previous-year figure of €35.9 million. The normalised EBITDA margin came to 5.1% after 8.3% in the previous year. The consolidated loss after taxes totalled €-0.1 million, up on the previous-year figure of €-1.7 million.

In the reporting year, net normalisation adjustments totalled €-41.2 million (previous year: €-7.6 million). Non-recurring expenses and income of €-42.6 million thereof were attributable exclusively to the sale of a subsection of the *flexible films* segment. Without considering these special and non-recurring effects, EBITDA increased by 34.5% to €58.5 million (previous year: €43.5 million).

**Marten Julius, Spokesman of the Management Board of KAP AG:** “It’s true that 2023 was impacted by many negative economic factors that we were unable to influence, or only to a very limited extent. Nevertheless, we cannot be satisfied with the result, which is why we have already initiated the necessary steps to make the KAP Group and its segments leaner, more efficient and responsive. But, that aside, we can already see the environment slowly recovering and demand for our products rising again on markets that are important to us, such as for pool liners for instance.”

### **Segments exhibit varied developments**

The *flexible films* segment recorded 24.8% lower revenue in 2023 than in the previous year on a comparable basis, that is without the subsection sold. Including the subsection sold, revenue amounted to €98.3 million, down approximately 44.5% year on year (previous year: €177.1 million). In the reporting period, this segment was negatively affected by the end of the pandemic-related economic buoyancy due to the cocooning effect – many dealers had bought products, particularly pool liners, in the previous year but were unable to sell off the high level stockpiled at the anticipated rate in the reporting period. Added to this was a noticeable downturn in the construction sector. Having said that, the first signs of a trend reversal and of demand starting to rise again were already becoming apparent at the end of 2023. On a comparable basis, normalised EBITDA decreased, in line with revenue, from €10.3 million to €8.1 million and the normalised EBITDA margin increased by 0.5 percentage points from 9.9% to 10.4%. Including the subsection sold, normalised EBITDA slid from €22.4 million down to €9.8 million. The normalised EBITDA margin narrowed by 2.6 percentage points to 10.0% (previous year: 12.6%).

In the *engineered products* segment, both revenue and normalised EBITDA fell significantly. Revenue decreased from €145.7 million in 2022 to €116.7 million and normalised EBITDA decreased from €9.2 million to €3.1 million. This is

equivalent to a normalised EBITDA margin of 2.7% after 6.3% in the previous year. The decrease in the EBITDA margin is mainly attributable to the considerably lower level of revenue and the time lag in adjusting costs. Global economic developments, particularly in the automotive sector, additionally weighed on the second half of the year in particular. Added to this, a larger, high-margin customer contract had expired at the end of the previous year. In response to this development, extensive structural measures to make production leaner and more efficient and achieve a noticeable reduction in administrative functions at the headquarters in Fulda have already been implemented. In addition, comprehensive initiatives have been launched with the aim of optimising working capital management and the product portfolio.

The **surface technologies** segment increased its revenue in 2023 to €68.6 million, up 5.1% on 2022 (previous year: €65.3 million). Normalised EBITDA totalled €6.1 million at year-end (previous year: €6.8 million). The normalised EBITDA margin came to 8.9% in 2023 (previous year: 10.4%). This segment was able to pass on to the market only part of the rise in energy costs. As in the **precision components** segment, the weak global economy in the automotive sector also made itself felt here.

The **precision components** segment generated revenue of €53.4 million in the reporting period, up 17.1% year on year (previous year: €45.6 million). This positive performance was due in particular to the increased ability to pass on the rise in energy and raw materials costs to the segment's customers as well as higher unit sales. Normalised EBITDA amounted to €2.1 million, which marks an improvement on the previous-year figure of €-0.1 million. The normalised EBITDA margin came to 3.9% in 2023 (previous year: -0.2%).

#### **Measures to enhance efficiency**

Primarily, but not only, in the **engineered products** segment, extensive structural measures were taken in 2023 to make administration, production and sales leaner, more efficient and responsive. Some of the related expenses were already normalised in 2023, and the measures taken are starting to produce the first noticeable results and improvements. We therefore believe that the KAP Group is in a good position. However, we regularly review any need for further optimisation measures in order to benefit from megatrends in niche markets in the long term.

#### **Outlook**

Considering the KAP Group's diversified investment model and its good market position in profitable niche markets with a focus on long-term megatrends and the structural measures already initiated, the Management Board expects revenue in the Group to increase moderately and normalised EBITDA to increase significantly in the current financial year compared with the previous year. Accordingly, the projections for all segments anticipate stable or slightly increasing revenue and a significant increase in normalised EBITDA year on year. Only the engineered products segment is expected to see revenue decline slightly as a result of portfolio optimisations undertaken in certain regions.

The complete audited Annual Report 2023, including the independent auditors' report, is available on KAP AG's website.

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### **About KAP AG**

KAP AG is a listed industrial holding company focused on upper mid-size operating companies that seizes attractive growth opportunities in their respective niche markets. Specifically, KAP AG currently focuses on four distinct operating segments: engineered products, flexible films, surface technologies and precision components. The Group lets its shareholders participate in the long-term sustainable value development through an attractive dividend. KAP AG currently has over 2,400 employees at 24 locations in eleven countries. KAP AG is a Participant of the United Nations Global Compact and adheres to its principles-based approach to responsible business. KAP AG's shares are listed on the Regulated Market of the Frankfurt Stock Exchange (General Standard, ISIN DE0006208408).