

Corporate News

KAP SHOWS POSITIVE DEVELOPMENT IN THE 2020 FINANCIAL YEAR DESPITE PANDEMIC AND SPEEDS UP THE ACTION PROGRAMME 'ACCELERATE'

- Revenue for the 2020 financial year better than expected at €338.7 million, with a significantly improved normalised EBITDA margin of 9.6% (previous year: 8.6%) and positive free cash flow of €34.2 million (previous year: €19.4 million)
- New programme of measures *Accelerate* with the goal of significantly increased operating profit by end of 2023
- Coating and packaging expertise in the *flexible films* segment boosted further with two transactions in Q1 2021
- Confirmed forecast for 2021: revenue between €300 and 330 million and normalised EBITDA between €27 and 33 million (excluding the *it/services* segment)

Fulda, 23 April 2021 – KAP AG (“KAP”), a listed medium-sized industrial holding company, proved that its diversified investment model is crisis-proof during the challenging financial year of 2020. Through the successful implementation of its group strategy, the company increased its profitability significantly despite the sombre market environment and reduced its net debt substantially by restructuring. KAP released its 2020 Annual Report today with audited consolidated IFRS financial statements and extensive information about its recently published strategy programme called *Accelerate*.

Robust business performance during the pandemic

The KAP Group, including the segment held for sale (*it/services*), achieved revenue of €338.7 million (previous year: €372.8 million) during the 2020 financial year. The consolidated revenue therefore came in at 9.1% below the previous year's, though above the €300 to 330 million forecast in September 2020. At a regional level, there was positive momentum in Asia whilst Germany and America performed more weakly. The normalised earnings before interest, taxes, depreciation and amortisation ("normalised EBITDA") also developed better than expected. At €32.5 million (previous year: €31.9 million), they were above the announced range of €27 to 30 million and 1.9% higher than the previous year. The normalised EBITDA margin also improved by 1.0 percentage points to 9.6%. Consequently, the KAP Group's most important key performance indicator is short of the minimum 10.0% target by only an insignificant amount. The normalised earnings during the reporting period included a total adjustment of €–2.8 million (previous year: €–4.3 million) relating to insurance payments, one-time expenses in connection with fire damage in the *surface technologies* segment, transaction expenses and severance costs. Although the earnings development at an operational level was very pleasing, the consolidated net income of €–2.7 million remained slightly negative due to non-recurring charges, even if it was a

considerable improvement on the previous year (€–14.1 million). The Management Board, together with the Supervisory Board, has resolved to propose a dividend of €0.75 per share for the 2020 financial year at the Annual General Meeting due to the high positive free cash flow, despite the impacts of the pandemic. KAP AG is therefore maintaining its shareholder-friendly dividend policy.

Eckehard Forberich, member and Spokesperson of the KAP AG Management Board:

“We owe our robust business performance in these pandemic conditions mostly to our diversified investment approach with companies in leading market positions in niche markets. Additionally, we laid the foundation for returning to a strong concentration on the group’s ongoing development with rigorous working capital management and by selling properties in Fulda. We concluded two bolt-on transactions and, moreover, we consolidated strategic improvement initiatives that had already been initiated into a single coordinated transformation programme. With *Accelerate*, we are creating an environment for profitable internal and external growth with a target of turning the KAP Group into a leading, forward-looking industrial holding company with lasting, improved profitability.”

***Accelerate* – accelerated transformation by end of 2023**

In order to achieve the KAP Group’s strategic and operational vision, the Management Board has considered the existing group strategy and defined concrete sets of measures for business segments. These measures with a long-term focus are planned to be implemented over the next two years and will achieve their full effect in 2023. The overarching medium-term target of the *Accelerate* strategy programme is further significant improvement in operating profitability.

Accelerate puts a focus on six key points: boosting sales activity, increasing efficiency, safeguarding attractive opportunities for the future, optimising financial flexibility, increasing revenue and earning power and expanding the portfolio; and strengthening risk management across the group.

The focus on sales will be made stronger for all segments to accelerate organic growth in particular. This will also involve a special focus on ongoing efficiency increases. The future prospects of the business segments are being safeguarded with highly specialised development of applications and investment in existing and new sites. For the group’s segments, focusing on the portfolio will mean leaner site and leadership structures as well as targeted mergers and acquisitions for inorganic growth. The KAP Group’s overarching KPI and risk management systems will be expanded further and the group’s controlling strengthened in order to manage these complex processes. The strategy programme is presented in detail in the 2020 Annual Report published today.

KAP already achieved further important *Accelerate* milestones during the first quarter of 2021 and executed two attractive transactions in the *flexible films* segment. The industrial holding

company has significantly boosted its expertise and competence in the flexible films segment by acquiring AerO Coated Fabrics B.V., a highly specialised extrusion business and manufacturer of thermoplastic composites, and by increasing its investment in packaging specialist NOW Contec GmbH to 100%. Furthermore, we have increased the KAP Group's financial flexibility by selling our industrial property in Fulda. Given the construction work still required on it, the transaction is expected to close during the fourth quarter of this year.

Marten Julius, Chief Financial Officer of KAP AG: "We have sufficient financial flexibility to take advantage of other acquisition opportunities as part of our strategic alignment. Against a backdrop of ongoing crisis, the market offers us very interesting opportunities which we are carefully assessing. Furthermore, a swift conclusion to the sale of our *it/services* segment that we have initiated is at the top of our agenda for the 2021 financial year."

***flexible films* segment a crisis winner**

The group's segments performed very disparately in 2020. The *engineered products*, *surface technologies* and *precision components* segments were particularly affected by the fallout of the Covid-19 pandemic since they operate in sectors with an automotive focus. These sectors were exposed to a collapse in demand, especially at the start of the pandemic.

Revenue in the *engineered products* segment fell by a considerable 15.7% to €127.0 million (previous year: €150.7 million) during the 2020 financial year. This decline can be attributed to circumstances such as the temporary shutdown of production at sites in China, India and the United States, and temporary plant closures among customers in the segment's automotive sector. Normalised EBITDA doubled to €4.8 million (previous year: €2.4 million). The restructuring initiatives that were implemented demonstrated a noticeable impact.

The *flexible films* segment proved itself to be a winner of the crisis and utilised appealing market opportunities in spite of the uncertain market environment. Revenue achieved double-digit growth of 12.2%, coming to €100.1 million (previous year: €89.2 million). New sales opportunities arising during the pandemic included personal protective equipment for healthcare. An increase in swimming pool liner films was also achieved. Normalised EBITDA increased by a substantial 46.5% to €14.8 million (previous year: €10.1 million).

Revenue from the *surface technologies* segment amounted to €53.5 million (previous year: €64.1 million) during 2020 and was mainly affected by the sharp decline in automotive demand. Normalised EBITDA came in at €10.2 million (previous year: €13.7 million).

In the *precision components* segment, the pandemic caused revenue to decline by 20.0% to €39.6 million (previous year: €49.5 million). Normalised EBITDA reduced by 44.1% to €1.9 million (previous year: €3.4 million).

The *it/services* segment, which is held for sale, did not experience much impact from the

pandemic apart from a few project delays. The segment's revenue fell slightly by 4.3% to €22.3 million (previous year: €23.3 million) during the reporting period. However, normalised EBITDA improved to €4.1 million (previous year: €3.0 million).

Overall, the data indicates that the pandemic's significant impacts could largely be absorbed thanks to the portfolio's diversified approach.

Strong cash flow and significant reduction of net debt

KAP AG continued optimising its financing structure in the 2020 financial year. Net financial debt, for example, was reduced over the course of the year even more significantly than in the previous year. It fell by almost 38.6% compared to 2019, to roughly €54.6 million as at the end of the 2020 financial year (previous year: €88.9 million). Cash inflows increased substantially in 2020 due to successful initiatives for improving working capital management and due to diligent investment management. The free cash flow rose by 76.3% to €34.2 million (previous year: €19.4 million).

Positive outlook for 2021

The Management Board will continue the strategic realignment of the KAP Group consistently in 2021. The aim of it is to create the basis for a long-term, sustainable improvement in profitability. The focus of this process is mainly on strengthening sales, maintaining efficiency initiatives and optimising the portfolio with targeted mergers and acquisitions. The Management Board is forecasting revenue between €300 and 330 million and normalised EBITDA of €27 to 33 million for the continuing operations (excluding the it/services segment) for the 2021 financial year. This forecast does not consider impacts from the Covid-19 pandemic that cannot be foreseen beyond the first half of 2021.

The 2020 Annual Report is available to download at: <https://www.kap.de/en/investor-relations/reports/annual-reports>.

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About KAP AG

KAP AG is a listed industrial group in the upper midsize market that offers attractive growth opportunities in its respective niche markets. KAP AG focuses on four different business areas: engineered products, flexible films, surface technologies and precision components. Through targeted acquisitions, the company strengthens its existing business areas or exploits new market opportunities. KAP allows its shareholders to participate in its long-term profitable growth through a stable dividend. The group currently has 29 locations and around 2,700 employees in 12 countries. The shares of KAP AG are listed on the Regulated Market of the Frankfurt Stock Exchange (Prime Standard, ISIN DE0006208408).