

Quarterly Report Q1 2022

1 January to 31 March 2022



kap

ROBUST BUSINESS DEVELOPMENT IN THE FIRST QUARTER OF 2022

- Growth in a dynamic and uncertain market environment: Group’s revenue up 25.8% in the first three months of the year to €113.3 million
- Earnings development impacted by global supply constraints and rising prices for raw materials and energy: normalised EBITDA down 8.1% to €10.8 million
- Confirmation of the forecast for 2022

The KAP Group started the 2022 financial year with sound revenue growth of close to 25.8% thanks to its high level of diversification. The market environment in the first quarter was dominated by a further intensifying supply chain crisis and the economic repercussions of the Russia-Ukraine war. The shortages on procurement markets and in supply chains had an adverse effect on the KAP Group’s development of earnings. We can still only pass the significant rise in raw materials prices and energy costs on to our customers with a time lag. As a result, the normalised EBITDA margin declined to 9.5% (previous year: 13.0%). In the same quarter of the previous year, business developed exceptionally well on account of the economic recovery and considerable rise in demand in the automotive sector following the Covid-19 crisis.

The Group’s notable revenue growth compared with the previous year is attributable above all to the positive development of the flexible films segment, whose steep growth trajectory was further accelerated by the closure of the acquisition for the Israeli plastics specialist Haogenplast Ltd. (“Haogenplast”). In line with the clearly defined objective of the Accelerate programme to strengthen the KAP investment portfolio with further attractive acquisitions, the industrial holding company has also generated very profitable earnings contributions from this acquisition. In the other segments – particularly surface technologies and precision components, which have a greater focus on the automotive sector – the challenging market conditions weighed on the development of business. While our leading position in niche markets for special applications permits us to pass on the price hikes on the procurement side to our customers, we can only do so with a time lag.

KAP Group

Selected key indicators on financial performance ¹		Q1 2022	Q1 2021	Change (%)
Revenue	€ millions	113.3	90.1	25.8
EBITDA	€ millions	10.5	11.5	–8.7
Normalisations	€ millions	0.3	0.1	82.3
Normalised EBITDA	€ millions	10.8	11.6	–6.9
Normalised EBITDA margin	%	9.5	12.9	–3.4 pp
Investments	€ millions	7.1	8.2	–13.5
Employees as of 31 March		2,925	2,720	7.5

¹ Continuing operations

REVENUE GROWTH IN A DYNAMIC MARKET ENVIRONMENT

The KAP Group's continuing operations generated revenue of €113.3 million in the first quarter, which is an increase of 25.8% (previous year: €90.1 million). Haogenplast contributed €13.7 million to revenue, meaning purely organic revenue growth amounted to 10.5%. At €10.5 million, earnings before interest, taxes, depreciation and amortisation (EBITDA) were 8.7% down on the same quarter of the previous year (previous year: €11.5 million) and normalised for transaction-related costs and a positive non-recurring effect from the sale of the commercial properties in Fulda of €0.3 million net. This led to a decrease of 6.9% in normalised EBITDA to €10.8 million (previous year: €11.6 million). At 9.5% (previous year: 12.9%), the normalised EBITDA margin was below the previous year and slightly below the minimum target margin of 10%, the main reason being the rise in materials and energy costs, which can only be passed on to customers with a time lag.

In the first quarter of the previous year, the divested it/services segment generated revenue of €3.9 million, which has been eliminated to improve comparability in our reporting of continuing operations. The sale of the segment was completed in June 2021.

DEVELOPMENT OF CASH FLOWS AND FINANCIAL POSITION

Total assets of the continuing operations increased by €75.1 million to €417.2 million (31 December 2021: €342.1 million), whereas the equity ratio dropped to 44.2% (31 December 2021: 53.4%).

The cash flow from operating activities was down year on year in the first quarter by €6.6 million to -€9.5 million (previous year: -€2.9 million). This substantial decrease resulted mainly from the changes in inventories and receivables. Working capital increased compared with the previous-year period by 36.8% to €108.6 million (previous year: €79.4 million). The reasons are the high level of working capital contributed by Haogenplast (€16.3 million) and the rise in prices for materials as well as higher stock levels to avoid any supply bottlenecks. The KAP Group's investments came to €7.1 million (previous year: €8.2 million) and related above all to the expansion of our production sites in Hessisch Lichtenau and in Jasper, Alabama, USA.

The number of employees rose to 2,925 as of 31 March 2022 (previous year: 2,720) on account of a large increase in headcount in the flexible films segment as a result of the Haogenplast acquisition as well as the strong demand that this segment is enjoying.

CONFIRMATION OF THE 2022 FORECAST

We continue to assume that the KAP Group's business development in the 2022 financial year will be influenced noticeably by the dynamic market environment and significant supply chain disruptions. Due to our diversified investment model and the strong market positioning of our segments in their respective niche markets, we continue to expect revenue to increase significantly and operating result slightly year-on-year despite the volatile market environment, which is uncertain due to the Russia-Ukraine war.

The overall assessment takes into account any already foreseeable risks as a result of the Russia-Ukraine war and the ongoing coronavirus pandemic. Additional effects that could not yet be specifically assessed at the time the report was finalised may lead to subsequent changes in the forecast. The Management Board is intensively reviewing various measures to compensate for these effects in the best possible way.

SEGMENT REPORTING

CONTINUING OPERATIONS

flexible films

		Q1 2022	Q1 2021	Change (%)
Revenue	€ millions	48.7	31.7	53.6
Normalised EBITDA	€ millions	6.7	4.8	39.3
Normalised EBITDA margin	%	13.8	15.2	-1.4 pp
Investments	€ millions	1.1	0.8	43.1
Employees		592	365	62.2

In the 2022 financial year, the **flexible films** segment continued its growth trajectory of the previous year, generating its highest quarterly revenue to date of €48.7 million, which corresponds to growth of 53.6%, including the amount of €13.7 million added to revenue by Haogenplast (previous year: €31.7 million). Normalised EBITDA rose to €6.7 million (previous year: €4.8 million), whereas the normalised EBITDA margin decreased slightly to 13.8% (previous year: 15.2%). The segment is currently facing rising raw materials prices for PVC and plasticisers, which can only be passed on to customers with a time lag.

With Haogenplast, KAP AG closed an attractive transaction in the flexible films segment in the first quarter of 2022. A leading supplier of premium plastics products with registered offices in Israel, Haogenplast mainly manufactures films for applications in the construction sector, such as swimming pools, window laminates and high-tech weatherproof roofing. Targeted M&A activities such as this are important measures within the Accelerate programme to sharpen the focus of the industrial holding company's portfolio.

In the reporting period, the segment entities' investment spending totalled €1.1 million, exceeding the level of the previous-year period (previous year: €0.8 million). Headcount rose as a result of the Haogenplast acquisition and strong demand from 365 to 592 employees in the segment as of 31 March 2022.

engineered products

		Q1 2022	Q1 2021	Change (%)
Revenue	€ millions	38.1	30.2	26.3
Normalised EBITDA	€ millions	2.5	2.9	-11.8
Normalised EBITDA margin	%	6.6	9.5	-2.9 pp
Investments	€ millions	2.4	0.4	>100
Employees		869	878	-1.4

Driven by high customer demand in all fields, the **engineered products** segment's revenue rose by 26.3% to €38.1 million in the first quarter of 2022 (previous year: €30.2 million). Normalised EBITDA, however, fell by 11.8% to €2.5 million (previous year: €2.9 million). The normalised EBITDA margin deteriorated accordingly to 6.6% (previous year: 9.5%). The low level of profitability is attributable primarily to the rise in costs for raw materials, freight and energy, which can only be passed on to customers with a time lag. In addition, the segment is feeling the effect of supply chain problems in the automotive industry.

Under the Accelerate programme, KAP AG systematically continued the initiatives introduced to improve profitability sustainably and enhance production capacities. Accordingly, further capital expenditures of €1.2 million were made in connection with the new production hall and a textiles laboratory at the Hessisch Lichtenau site. Investments in the first quarter came to a total of €2.4 million, up significantly year on year (previous year: €0.4 million). As of 31 March 2022, the segment had 869 employees (previous year: 878).

surface technologies

		Q1 2022	Q1 2021	Change (%)
Revenue	€ millions	15.7	15.8	-0.7
Normalised EBITDA	€ millions	1.5	3.3	-54.5
Normalised EBITDA margin	%	9.5	20.9	-11.4 pp
Investments	€ millions	1.7	5.3	-67.9
Employees		744	763	-2.5

Declining slightly by 0.7% to €15.7 million (previous year: €15.8 million), revenue in the **surface technologies** segment remained relatively stable in spite of adverse effects arising from a shift in demand related to supply chain and semiconductor problems in the automotive sector. Normalised EBITDA fell to €1.5 million (previous year: €3.3 million). Again, the main reasons were sharply rising cost of materials and cost increases specifically for electricity and gas. The normalised EBITDA margin decreased accordingly to 9.5% (previous year: 20.9%).

The segment also reached important milestones in the first quarter with respect to the Accelerate programme. The construction of a new site for its major customer Mercedes-Benz in Jasper, Alabama, USA, was largely completed and production has already begun. We invested a further €0.8 million in this construction project in the first quarter of 2022. At €1.7 million, total investments in the surface technologies segment were down year on year (previous year: €5.3 million).

As of 31 March 2022, the surface technologies segment had 744 employees compared with 763 in the previous year.

precision components

		Q1 2022	Q1 2021	Change (%)
Revenue	€ millions	10.9	11.9	-8.3
Normalised EBITDA	€ millions	0.6	1.3	-57.7
Normalised EBITDA margin	%	5.1	11.0	-5.9 pp
Investments	€ millions	1.7	1.7	0.0
Employees		661	659	0.3

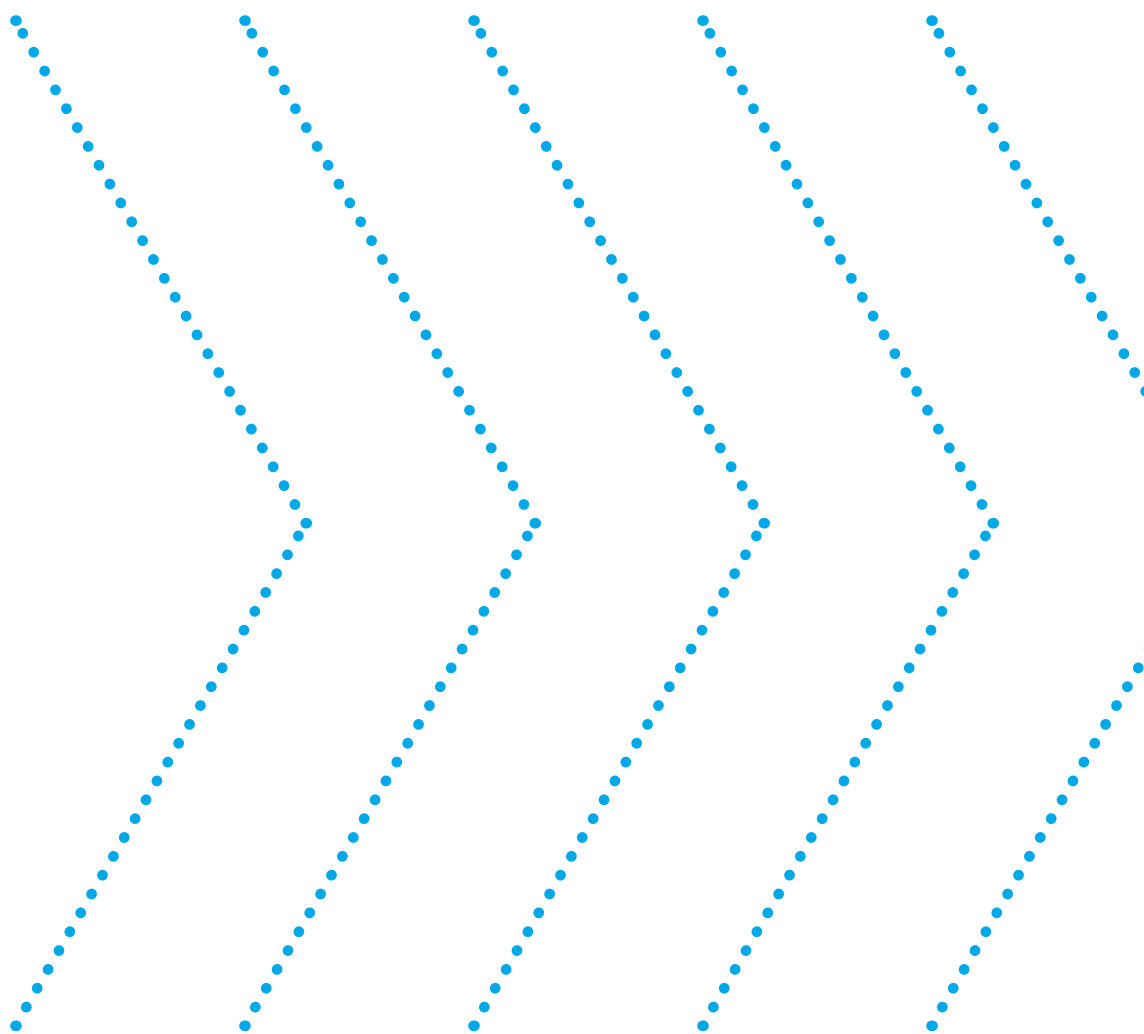
In the **precision components** segment, revenue decreased to €10.9 million (previous year: €11.9 million), while normalised EBITDA dropped to €0.6 million (previous year: €1.3 million). Like the surface technologies segment, this segment focuses on the automotive industry and is feeling the effects of the continuing supply chain and semiconductor problems as well as the major price hikes in procurement. The normalised EBITDA margin decreased accordingly by 5.9 percentage points to 5.1%.

Improvement initiatives under the Accelerate programme were also introduced and implemented in this segment, especially in relation to the e-bike market, which we recently entered. We were able to win new customers there, including a world market leader in e-bike drives. The Russia-Ukraine war has so far not had any direct implications for our plant in Belarus. Nevertheless, we are working on measures to keep any future effects to a minimum.

At €1.7 million, investment spending remained at a stable level in a year-on-year comparison; it related principally to the acquisition of PENTACON GmbH's assets. As of 31 March 2022, the precision components segment's headcount was stable at 661 employees (previous year: 659).

Financial information

Development of the KAP Group in Q1 2022



CONSOLIDATED STATEMENT OF INCOME

in € thousands	Q1 2022	Q1 2021 ¹
Revenue	113,332	90,122
Change in inventories and other own work capitalised	3,194	-765
Total operating performance	116,526	89,357
Other operating income	2,057	3,611
Cost of materials	-67,812	-45,401
Personnel expenses	-25,072	-21,786
Amortisation and impairment of intangible assets and depreciation and impairment of property, plant and equipment and investment property	-7,398	-6,161
Other operating expenses	-15,209	-14,299
Operating result	3,092	5,321
Interest result	-808	-359
Other financial result	-979	1,313
Financial result	-1,787	954
Earnings from continuing operations before income taxes	1,305	6,275
Income taxes	-354	-1,513
Earnings from continuing operations	951	4,762
Earnings from discontinued operations after taxes	-	333
Consolidated profit/loss after taxes	951	5,094
Non-controlling interests	11	-4
Consolidated profit/loss attributable to the shareholders of KAP AG	962	5,090
Basic earnings per share (€)		
Earnings from continuing operations	0.12	0.61
Earnings from discontinued operations	-	0.05
	0.12	0.66

¹ The consolidated statement of income for the previous year has been restated for adjustments in the it/services segment.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS

in € thousands	Q1 2022	Q1 2021
Consolidated profit/loss after taxes	951	5,094
Unrealised gains from currency translation	426	760
Items that may be reclassified subsequently to profit or loss	426	760
Actuarial gains from defined benefit pension plans	–	–
Deferred taxes on actuarial gains/losses from defined benefit pension plans	–	–
Items that will not be reclassified subsequently to profit or loss	–	–
Other comprehensive income after taxes	426	760
thereof attributable to non-controlling interests	–	14
thereof attributable to shareholders of KAP AG	426	746
Total comprehensive income	1,377	5,854
thereof attributable to non-controlling interests	–11	18
thereof attributable to shareholders of KAP AG	1,388	5,836

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in € thousands	31/03/2022	31/12/2021
ASSETS		
Non-current assets		
Intangible assets	50,350	35,867
Property, plant and equipment	189,860	172,343
Investment properties	1,869	1,888
Other financial assets	234	196
Deferred tax assets	4,483	4,365
	246,796	214,659
Current assets		
Inventories	80,447	59,597
Trade receivables	69,742	38,435
Income tax receivables	1,276	1,219
Other receivables and assets	10,562	10,256
Cash and cash equivalents	7,862	17,421
	169,889	126,928
Non-current assets held for sale	527	524
	417,212	342,111

in € thousands	31/03/2022	31/12/2021
EQUITY AND LIABILITIES		
Equity and reserves		
Subscribed capital	20,196	20,196
Capital reserve	86,921	86,921
Reserves	-16,246	-16,672
Retained earnings	92,658	91,696
Equity attributable to the shareholders of KAP AG	183,529	182,141
Non-controlling interests	535	546
	184,064	182,687
Non-current liabilities		
Provisions for pensions and similar obligations	16,558	16,677
Non-current financial liabilities	33,320	26,676
Deferred tax liabilities	8,614	6,528
	58,492	49,881
Current liabilities		
Other provisions	19,749	22,917
Current financial liabilities	87,176	43,097
Trade payables	41,589	24,547
Income tax liabilities	7,568	7,643
Other liabilities	18,574	11,339
	174,656	109,543
	417,212	342,111

CONSOLIDATED STATEMENT OF CASH FLOWS

in € thousands	Q1 2022	Q1 2021 ¹
Consolidated profit/loss after taxes	951	5,094
Interest result	808	359
Income taxes	354	1,672
Earnings before interest and income taxes (EBIT)	2,113	7,125
Depreciation, amortisation and impairment of non-current assets (net of any reversals)	7,398	6,266
Change in provisions	-3,323	-3,129
Other non-cash expenses and income	336	-6
Gains/losses from the disposal of non-current assets	-87	-461
Cash flow from operating activities before changes in assets and liabilities	6,437	9,795
Change in inventories, receivables and other assets not attributable to investing and financing activities	-27,266	-18,470
Change in payables and other liabilities not attributable to investing and financing activities	13,260	6,388
Cash flow from operating activities before interest and income taxes	-7,569	-2,287
Interest paid and received	-808	-208
Income taxes paid and received	-1,147	-385
Cash flow from operating activities	-9,524	-2,880
Proceeds from disposals of property, plant and equipment (including investment property)	145	1,234
Investments in property, plant and equipment (including investment property)	-10,080	-8,478
Proceeds from the disposal of intangible assets	-	-
Investments in intangible assets	-1,522	-279
Cash inflow from the disposal of consolidated companies	-	345
Cash outflow from the addition of consolidated companies	-28,851	-8,383
Proceeds from repayments of financial receivables	-	28
Payments from granting loans	-38	-
Cash flow from investing activities	-40,346	-15,533

¹ Including the it/services segment as a discontinued operation

in € thousands	Q1 2022	Q1 2021 ¹
Proceeds from capital increase	–	100
Acquisition of non-controlling interests	–	–2,300
Proceeds from borrowings	40,378	13,869
Repayment of borrowings	–1,165	–1,392
Cash flow from financing activities	39,213	10,277
Net change in cash and cash equivalents	–10,657	–8,136
Change in cash and cash equivalents due to exchange-rates, consolidated-group and valuation effects	1,098	1,201
Cash and cash equivalents at beginning of period	17,421	15,964
Cash and cash equivalents at end of period including discontinued operations	7,862	9,029
Cash and cash equivalents attributable to discontinued operations	–	–196
Cash and cash equivalents at end of period	7,862	8,833

¹ Including the it/services segment as a discontinued operation

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY¹

in € thousands	Subscribed capital	Capital reserve	Revenue reserves	
			Currency differences	Actuarial gains/losses
01/01/2020	20,177	86,840	-23,821	-6,982
Consolidated profit/loss	-	-	-	-
Other comprehensive income before taxes	-	-	746	-
Deferred taxes on other comprehensive income	-	-	-	-
Total comprehensive income	-	-	746	-
Capital increase	19	81	-	-
Capital decrease	-	-	-	-
Dividends paid to shareholders	-	-	-	-
Change in consolidated group	-	-	-	185
Withdrawals	-	-	-	-
Other changes	-	-	-	-
31/03/2021	20,196	86,921	-23,075	-6,797
01/01/2022	20,196	86,921	-19,969	-6,115
Consolidated profit/loss	-	-	-	-
Other comprehensive income before taxes	-	-	426	-
Deferred taxes on other comprehensive income	-	-	-	-
Total comprehensive income	-	-	426	-
Capital increase	-	-	-	-
Capital decrease	-	-	-	-
Dividends paid to shareholders	-	-	-	-
Change in consolidated group	-	-	-	-
Withdrawals	-	-	-	-
Other changes	-	-	-	-
31/03/2022	20,196	86,921	-19,543	-6,115

As the figures are presented in € thousands, the numbers may not add up due to rounding differences.

¹ The consolidated statement of changes in equity for the previous year has been restated for adjustments in the flexible films segment.

	Other	Total	Retained earnings	Equity attributable to KAP shareholders	Non-controlling interests	Total equity
	10,372	-20,431	65,446	152,032	2,295	154,327
	-	-	5,090	5,090	4	5,094
	-	746	-	746	14	760
	-	-	-	-	-	-
	-	746	5,090	5,836	18	5,854
	-	-	-	100	-	100
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	185	-	185	-	185
	-	-	-	-	-2,063	-2,063
	-695	-695	-	-695	-	-695
	9,677	-20,195	70,536	157,458	250	157,708
	9,411	-16,672	91,696	182,141	546	182,687
	-	-	962	962	-11	951
	-	426	-	426	-	426
	-	-	-	-	-	-
	-	426	962	1,388	-11	1,377
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	9,411	-16,246	92,658	183,529	535	184,064

SEGMENT REPORTING BY BUSINESS AREA

in € thousands	flexible films		engineered products		surface technologies		precision components	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021
Revenue	48,690	31,647	38,144	30,174	15,693	15,802	10,904	11,886
Segment profit/loss	6,530	4,812	2,516	2,779	1,467	3,311	463	1,528
Amortisation and depreciation	1,808	912	1,329	1,386	3,126	2,792	936	926
Operating result	4,722	3,900	1,187	1,393	-1,659	519	-473	602
Investments	1,123	785	2,415	399	1,747	5,343	1,683	1,670
Working capital	54,232	28,736	38,642	35,404	5,535	4,176	10,925	12,488
Employees as of 31 March	592	365	869	878	744	763	661	659

in € thousands	Holding company		Consolidation		Consolidated profit/loss	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021
Revenue	468	639	-537	-26	113,332	90,122
Segment profit/loss	-611	-868	125	-	10,490	11,482
Amortisation and depreciation	180	146	19	-1	7,398	6,161
Operating result	-791	-1,014	106	1	3,092	5,321
Investments	133	9	-	-	7,101	8,206
Working capital	-733	-1,390	-1	-5	108,600	79,409
Employees as of 31 March	59	55	-	-	2,925	2,720

FINANCIAL CALENDAR

24/05/2022	Equity Forum 2022 Spring Conference
30/08/2022	Publication of the Q2 2022 interim report (half-year financial report 2022)
31/08/2022	Annual General Meeting (virtual format)
23/11/2022	Publication of the Q3 2022 interim report
23/11/2022	Vienna Capital Market Conferences Family Office Day

All dates are subject to change. We publish all the dates above together with additional dates and any updates to these on <https://www.kap.de/en/investor-relations/calendar>.

CONTACT

Kai Knitter
Head of Investor Relations & Corporate Communications

Email investorrelations@kap.de

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. These statements are based on current estimates and forecasts by the Management Board and on the information currently available to the Management Board. Such statements are subject to risks and uncertainties that are mostly difficult to assess and are generally outside the scope of KAP AG's and its subsidiaries' control. These include the future market environment and economic conditions, the behaviour of other market participants, the successful integration of new acquisitions, the realisation of anticipated synergy effects and measures taken by government agencies. Should any of these or other uncertainties and imponderables materialise, or should the assumptions on which the statements made are based prove to be inaccurate, actual results could differ materially from those expressed or implied by such statements. KAP AG does not assume any special obligation going beyond the legal requirements to update forward-looking statements made in this report.

ROUNDING

The figures in this report have been rounded in accordance with established commercial practice. Rounding differences may thus occur, meaning that the result of adding the individual figures together does not always precisely correspond to the total indicated.

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KAP AG
Edelzeller Strasse 44
36043 Fulda
Germany