

Corporate News

BUSINESS DEVELOPMENT OF KAP AG RECOVERS IN THE THIRD QUARTER IN SOME AREAS FASTER THAN EXPECTED

- In some areas faster recovery from corona burdens than expected
- Revenues decrease by 11% to nearly EUR 260 million in the first nine months of 2020
- Adjusted EBITDA of EUR 27.2 million only slightly below previous year
- Adjusted EBITDA margin up to 10.5%
- Forecast for full year 2020 confirmed: Revenue between EUR 300 and 330 million and adjusted EBITDA of EUR 27 to 30 million

Fulda, 16 November 2020 – KAP AG, a listed, mid-sized industrial group, today publishes its results for the first nine months of the financial year 2020. Due to the COVID-19 pandemic that emerged in the first quarter and its severe effects, the business of the KAP Group developed weaker in the nine-month period than in the previous year. Following significant declines in sales volumes in the first half of 2020 – especially in the segments highly dependent on the automotive sector – signs of recovery were noticeable in our segments in the third quarter.

Revenue decreased in the first nine months by 10.8% to EUR 258.1 million (previous year: EUR 289.5 million). Adjusted earnings before interest, taxes, depreciation, and amortization ("adjusted EBITDA") fell by 2.5% to EUR 27.2 million (previous year: EUR 27.9 million). The adjusted EBITDA margin was thus 10.5%, meaning it was 0.9 percentage points higher than the previous year's figure (previous year: 9.6%) and above the target value of 10%.

„2020 has so far been dominated by the new challenges posed by the COVID-19 pandemic. The fact that our business development recovered more quickly than expected in the third quarter makes us confident and shows us that we have taken the right steps to limit the effects of the pandemic“, explains Eckehard Forberich, Member and Speaker of the Management Board of KAP AG.

Automotive-focused segments more affected by the COVID 19 pandemic

The *engineered products* segment continues to be severely affected by the impact of the COVID-19 pandemic in the third quarter. Revenue for the first nine months of 2020 decreased by 16.4% to EUR 99.5 million (previous year: EUR 119.0 million). In particular, temporary production shutdowns by customers in China, India and the USA due to the coronavirus had a negative impact on the segment. The resumption of production only made slow progress. EBITDA fell to EUR -5.6 million due to restructuring expenses (previous year: EUR 4.0 million). KAP AG is continuing the planned restructuring of the segment to sustainably improve profitability.

In the *flexible films* segment, revenue in the first nine months of 2020 rose by 10.0% year-on-year to EUR 77.8 million (previous year: EUR 70.7 million). The increase is partly due to the new sales opportunities arising in the field of protective clothing in medical applications, which the segment also successfully made use of in the third quarter. In addition, business in the areas affected by COVID-19 has recovered faster than expected. EBITDA improved by 47.7% to EUR 12.7 million (previous year: EUR 8.6 million).

In the *surface technologies* segment, revenues in the first nine months of 2020 fell significantly by 20.9% to EUR 38.9 million (previous year: EUR 49.2 million). Due to the COVID-19 pandemic, the automotive sector experienced a significant slump in demand. However, business in this segment also recovered faster than expected in the third quarter. EBITDA rose by 36.1% to EUR 13.2 million (previous year: EUR 9.7 million) due to non-recurring effects totaling EUR 6.6 million. At EUR 6.6 million, adjusted EBITDA was down 27.5% (previous year: EUR 9.1 million).

The revenue development in the automotive-oriented *precision components* segment is strongly influenced by the effects of the pandemic. Despite the signs of recovery in the third quarter, revenue for the nine-month period fell by 26.7% to EUR 28.3 million (previous year: EUR 38.6 million). EBITDA fell accordingly by 73.8% to EUR 1.1 million (previous year: EUR 4.2 million). Adjusted EBITDA amounted to EUR 0.8 million (previous year: EUR 3.7 million).

By contrast, revenue in the *it/services* segment increased by 9.3% to EUR 16.5 million in the first nine months of 2020 (previous year: EUR 15.1 million). No significant effects of the pandemic were noticed in the third quarter either. EBITDA rose to EUR 3.1 million (previous year: EUR 1.9 million).

Forecast for the 2020 financial year confirmed

For full year 2020, the Management Board continues to expect revenues between EUR 300 and 330 million and adjusted EBITDA of EUR 27 to 30 million. This does not take into account any currently unforeseeable further worsening of the COVID-19 pandemic and its impact on the KAP Group's business.

The complete Q3 interim statement 2020 is available on the company's website at www.kap.de/en/investor-relations/reports/quarterly-statements.

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About KAP AG

KAP AG is a mid-sized German industrial group with approximately 2,700 employees. We specialise in engineered products, flexible films, IT/services, surface technologies and precision components, developing innovative industrial products and technological solutions for international companies from trade and industry. As a result of our dedicated long-term business strategy, we serve a number of attractive niche markets with sustainable growth potential. Our focus is on developing market-leading, specialised, and high-margin industrial product lines within these segments. As a reliable partner in the context of succession planning, we also acquire attractively positioned medium-sized family companies with a view to strengthening our existing segments or developing new ones. Holders of KAP shares benefit from our company's growth trajectory and continuous dividend policy.