

Corporate News

KAP AG INCREASES REVENUE AND EARNINGS SIGNIFICANTLY IN THE FIRST HALF OF 2021

- Revenue climbs 12.3% year on year to €181.7 million
- Normalised EBITDA reaches €21.7 million, up significantly year on year at 23%
- Accelerate programme shows impact: EBITDA margin rises to 11.9%
- Outlook for 2021: Revenue between €320 and 350 million and normalised EBITDA between €32 and 38 million (excluding *it/services* segment)

Fulda, 24 September 2021 – KAP AG (“KAP”), a mid-sized industrial holding company listed on the stock exchange (WKN 620840, ISIN DE0006208408), looks back on a successful first half of 2021. In a significantly improved, but still highly volatile, market environment, the KAP Group generated revenue of €181.7 million (previous year: €161.8 million) in its continuing operations. Normalised EBITDA increased by 23.3% to €21.7 million (previous year: €17.6 million) with a normalised EBITDA margin of 11.9% (previous year: 10.9%), up 1.0 percentage points. In part, the improved profitability reflects the measures already implemented under the Accelerate programme.

Eckehard Forberich, member and Spokesman of the Management Board of KAP AG: “We have honed our strategic alignment significantly since last year. Today, we are a focused, modern industrial holding company with a clear investment approach geared towards entrepreneurial-minded, mid-sized companies. It is particularly pleasing that the KAP Group continued to make progress on its strategic and operational improvement initiatives within the framework of the Accelerate programme over the first six months of the year, and did so consistently and faster than planned. The accelerated transformation processes in the segments are already leaving their mark and have significantly improved our profitability. We will to rigorously pursue this course further.

In the first six months of the year, KAP AG’s segment companies benefited from a growing recovery in the automotive sector and strong growth in industrial production and the construction industry. The significant revival of customer demand boosted unit sales across all segments.

Growth would have been even higher had it not been for the global supply chain problems and supply constraints caused by the COVID-19 crisis. On account of long-term agreements, the segment companies were unable to pass on price increases on the procurement side in full to customers. Despite these challenges, the KAP Group increased its operating profitability.

In the *engineered products* segment, the restructuring measures already implemented had a positive impact on profitability. While revenue in the first six months of 2021 decreased by 10.4% to €60.0 million (previous year: €67.0 million), normalised EBITDA improved to €5.0 million (previous year €4.5 million). The decline in revenue is primarily attributable to the definitive closure of two production sites in the second half of the previous year as part of the segment's realignment towards higher-value products.

The *flexible films* segment continued on its growth path in the first half of 2021, benefiting from its strong market position and the acquisition of extrusion specialist AerO Coated Fabrics. The segment companies achieved revenue growth of 32.2%, reaching €67.3 million (previous year: €50.9 million). EBITDA rose by 23.5% in the first six months of the year to €10.0 million (previous year: €8.1 million).

In the *surface technologies* segment, revenue rose steeply by around 22% to €30.7 million (previous year: €25.2 million) following the sharp fall in demand in the automotive sector in the same period of the previous year as a result of the coronavirus pandemic. A stronger recovery was hindered by lower call-up levels owing to supply shortages as well as a fire-related interruption of operations since the fourth quarter of 2020 at a production site in the United States. Normalised EBITDA rose by 70.6% to €5.8 million (previous year: €3.4 million).

The *precision components* segment achieved a 19.4% increase in revenue in the first half of the year to €22.2 million (previous year: €18.6 million), which is partly due to the accelerating recovery in the automotive sector. The aforementioned supply shortages and supply chain difficulties were also evident in this segment. Normalized EBITDA increased significantly to €1.8 million in the first half of 2021 (previous year €0.1 million), demonstrating the effectiveness of Accelerate's efficiency improvement measures.

The sale of the *it/services* segment was successfully completed with the disposal of the subsidiaries MEHLER Engineering Service GmbH, effective 1 January, and it-novum GmbH, effective 30 June 2021. As a result, KAP increased its financial leeway and sharpened its investment focus on industrial production companies.

Accelerate: Rigorous implementation of improvement initiatives in the operating segments

KAP AG implemented important improvement initiatives from the Accelerate program in the first half of the year. The overriding goal of this programme of measures is to significantly and sustainably raise profitability. Among other measures, two attractive acquisitions were transacted in the first quarter for the *flexible films* segment, thus selectively expanding expertise in this fast-growth area. In the first half of the year, KAP also invested in the expansion and development of production sites and in new plant and machinery. Overall, the KAP Group has become more agile: the deployment of reporting and business intelligence systems in the holding company and in the segments has improved Group-wide risk management, for instance, enabling a quicker response to market changes.

Management Board confirms improved forecast for 2021

Business developed better than expected in the first half of the year. As a result, KAP AG's Management Board raised at the end of August its forecast for the 2021 financial year. For the current financial year, the Management Board now expects consolidated revenue of between €320 million and €350 million (previously: between €300 million and €330 million) and normalized EBITDA ranging between €32 million and €38 million (previously: between €27 million and €33 million).

The half-year financial report can be downloaded from the company's website at the following [link](#).

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About KAP AG

KAP AG is a listed industrial holding company focused on upper mid-size operating companies offering attractive growth opportunities in their respective niche markets. Specifically, KAP AG focuses on four distinct operating segments: engineered products, flexible films, surface technologies and precision components. The Company uses targeted acquisitions to strengthen its existing operating segments or takes advantage of new market opportunities. KAP allows its shareholders to participate in its long-term profitable growth through a stable dividend. The Group currently has some 2,300 employees at 29 locations in 12 countries. KAP AG's shares are listed on the Regulated Market of the Frankfurt Stock Exchange (Prime Standard, ISIN DE0006208408).