

Corporate News

KAP AG: ROBUST DEVELOPMENT OF BUSINESS IN THE FIRST NINE MONTHS DESPITE GLOBAL SUPPLY CONSTRAINTS

- Revenue up 9.0% to €266.3 million in the first nine months of 2021
- Normalised EBITDA up 12.8% to €30.0 million, increasing significantly year on year
- All four segments report improvement in operating result
- Accelerate programme: Measures implemented consistently and faster than planned
- Outlook for 2021: The forecast, which was revised upwards in August, remains valid

Fulda, 24 November 2021 – KAP AG (“KAP”), a mid-sized industrial holding company listed on the stock exchange (WKN 620840, ISIN DE0006208408), reported a positive development of business in the first nine months of 2021 compared with the same period of the previous year. The Company increased its revenue from continuing operations by 9.0% to €266.3 million (previous year: €244.4 million). Normalised EBITDA increased by 12.8% to €30.0 million (previous year: €26.6 million), while the normalised EBITDA margin increased by 0.4 percentage points to 11.3% (previous year: 10.9%). The significant increase in demand from customers in the automotive sector in the first half of the year was noticeably curbed by difficulties in the international supply chain, particularly in the third quarter. Due to long-term agreements, the KAP Group’s segment companies can only pass on price increases in raw materials and logistics to their customers with a delay.

Eckehard Forberich, member and Spokesman of the Management Board of KAP AG: “The past few months, which were marked by an array of uncertainties globally, show once again that the diversification of our business model is paying off. KAP developed robustly in the first three quarters of 2021 despite the global supply constraints, which initially affected the automotive sector in particular. As a result, we were able to continue our strategic and operational optimisation measures within the framework of Accelerate consistently and even faster than planned.”

Improved operating results in all continuing segments

The performance of the *engineered products* segment in the first nine months was characterised by challenging market conditions. While revenue in the first nine months of 2021 decreased by 11.4% to €88.2 million (previous year: €99.5 million), normalised EBITDA increased by 5.3% to €6.0 million (previous year €5.7 million). The decline in revenue is attributable to the final closure of two production sites in the second half of 2020, which was implemented as part of the segment’s refocusing on higher-value products.

The *flexible films* segment continued on its growth path in the reporting period, benefiting from its strong market position and the acquisition of extrusion specialist AerO Coated Fabrics. The segment companies achieved revenue growth of 29.8%, reaching €101.0 million (previous year: €77.8 million). Normalised EBITDA rose by 18.9% in the first nine months of the year to €15.1 million (previous year: €12.7 million).

In the *surface technologies* segment, revenue rose by around 14.1% to €44.4 million (previous year: €38.9 million), following a significant decline in the same period of the previous year due to the sharp fall in demand in the automotive sector as a result of the COVID-19 pandemic. The extent of the recovery was limited, particularly in the third quarter of 2021, by lower customer call-offs as a result of ongoing supply chain difficulties. Normalised EBITDA rose significantly by 23.1% to €8.0 million (previous year: €6.5 million).

The *precision components* segment generated revenue growth of 8.1% in the first nine months of 2021 to €30.6 million (previous year: €28.3 million). The increase was mainly due to the positive effects from the recovery of the automotive sector in the first six months of 2021, which were, however, partly curtailed by the semiconductor shortages in the automotive industry. In the third quarter in particular, customer demand shifts also occurred in this segment as a result of the supply chain disruptions. Normalised EBITDA increased significantly by 100.0% to €1.6 million in the first nine months of 2021 (previous year: €0.8 million), demonstrating the effectiveness of the efficiency improvement measures of the Accelerate programme already implemented.

Accelerate: Improvement initiatives implemented faster than planned

In the nine-month period, KAP AG consistently, and faster than planned, implemented the planned strategic and operational improvement initiatives under Accelerate. The overriding goal of the programme of measures is to significantly and sustainably raise the Company's profitability. Accordingly, the Group successfully completed the sale of the it/services segment. Furthermore, KAP also made substantial investments in the expansion and development of production sites and in new plant and machinery. In the flexible films segment, the Company also expanded its investment portfolio. In addition, KAP AG signed an agreement for the sale of its commercial property in Fulda in March. The closing of the sale is subject to various customary market conditions and is scheduled to take place by the end of 2021.

Management Board confirms improved forecast for 2021

The positive performance of business in the first half of 2021 exceeded the expectations underlying the original forecast published in the 2020 Annual Report. In response, KAP AG raised its revenue and earnings forecast for the 2021 financial year at the end of August. For the current financial year, the Management Board expects consolidated revenue of between €320 million and €350 million (previously: between €300 million and €330 million) and normalised EBITDA ranging between €32 million and €38 million (previously: between €27 million and €33 million) at the lower end of the range. This forecast already factors in the sale of the it/services segment.

The KAP Group's future business performance through to the end of 2021 is largely dependent on the development of the COVID-19 pandemic in the individual countries and the procurement markets in the automotive industry. Depending on their extent, both factors can have a considerable influence on the further development of the Company's business.

The complete Q3 Quarterly Statement 2021 can be found on the [Company's website](#).

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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 2,500 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).