

Corporate news

KAP AG REPORTS REVENUE AND EARNINGS GROWTH IN THE FIRST NINE MONTHS OF 2022

- Q3 momentum slowed by time lag in passing on price increases
- Revenue climbs 29.4% to €344.4 million
- Normalised EBITDA at €30.9 million, up 3.3%
- Full-year forecast confirmed

Fulda, 23 November 2022 – KAP AG (“KAP”), a mid-sized industrial holding company listed on the stock exchange (German securities identification number: WKN 620840; ISIN DE0006208408) reports a significant increase in revenue in the first nine months of 2022. Earnings also increased. However, there was a slowdown in momentum at earnings level, particularly in the third quarter, due to a time lag in passing on energy and raw material price increases to customers.

Compared with the first nine months of 2021, revenue increased by 29.4% to €344.4 million (previous year: €266.3 million). Normalised EBITDA totalled €30.9 million, up 3.3% on the comparative figure for 2021 (€29.9 million). The normalised EBITDA margin came to 9% (previous year: 11.2%). This reflects the fact that significant increases in raw material prices and energy costs can often only be passed on to customers with a time lag.

Eckehard Forberich, member and Spokesman of the Management Board of KAP AG: “We saw a solid first half of the year, but felt a slowdown in momentum in the third quarter, especially at earnings level. This is primarily due to the market environment with higher raw material and energy prices, which is unlikely to change much for the better in the foreseeable future. Overall, however, we are benefiting from our long-standing and trusting customer relationships together with the diversified positioning of our segments.”

Good segment performance in revenue, earnings impacted by rising prices

In the first nine months of 2022, the flexible films segment was able to increase its revenue from €101 million to €146.5 million, or 45% year on year, mainly thanks to the consolidation of Haogenplast. Normalised EBITDA totalled €19.2 million, up 27.2% on the previous-year figure of €15.1 million. The normalised EBITDA margin decreased year on year from 14.9% to 13.1%, largely reflecting the special macroeconomic effects in the previous year.

The engineered products segment also recorded a significant increase in revenue, from €88.2 million to €113.6 million. This development is mainly due to price increases resulting from the significant rise in raw material and energy costs. Normalised EBITDA rose by 25% from €6.0 million to €7.5 million. In this energy-intensive segment, price increases have so far mostly been passed on to customers, in some cases with a time lag.

In the surface technologies segment, revenue increased by 12.4% to €49.9 million; the comparative figure for the previous year was €44.4 million. It was not possible to pass on to customers the significant increases in energy prices, particularly for gas used to heat chemical baths, to any relevant extent. As a result, normalised EBITDA decreased from €8.0 million in the first nine months of 2021 to €6.4 million.

Significantly higher prices, especially for steel and PVC, also impacted the precision components segment. It was possible to increase revenue, from €30.6 million to €34.8 million, while normalised EBITDA decreased from €1.6 million to €1.1 million, as mentioned above, mainly due to the time lag in passing on increased raw material costs.

Cash flows and financials

Cash flow from operating activities decreased in the first nine months of the year from €0.8 million to €-3.95 million. Cash flow from investing activities resulted in an outflow of €-45.1 million (previous year: €-7.1 million), mainly from the acquisition of Haogenplast in Israel and from investments in the new sites in Jasper (Alabama, USA) and Hessisch Lichtenau. Cash flow from financing activities in the first nine months of 2022 amounted to €37.2 million (previous year: €-2.4 million). This increase reflects the purchase price of Haogenplast and the increase in working capital, partly due to higher raw materials costs.

Management Board confirms forecast for 2022

Despite the very challenging macroeconomic and market environment in some areas, the Management Board continues to expect significantly higher revenue in 2022 as a whole compared with the previous year and an operating result slightly higher than in 2021.

The full interim report for the first nine months of 2022 can be downloaded from the Company's website at [link](#).

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About KAP AG

KAP AG is a listed industrial holding company focused on upper mid-size operating companies that seizes attractive growth opportunities in their respective niche markets. Specifically, KAP AG currently focuses on four distinct operating segments: engineered products, flexible films, surface technologies and precision components. KAP allows its shareholders to participate in the long-term sustainable value development through an attractive dividend. The Group currently has some 2,900 employees at 28 locations in twelve countries. KAP AG's shares are listed on the Regulated Market of the Frankfurt Stock Exchange (Prime Standard, ISIN DE0006208408).