

## Corporate News

### **KAP ACHIEVES SIGNIFICANTLY IMPROVED ANNUAL EARNINGS FIGURES IN 2021 AND CONSISTENTLY DRIVES TRANSFORMATION FORWARD**

- Revenue and earnings in the upper and middle range of the forecast target corridor respectively
- Significantly improved operating profit margin of 10.1% (previous year: 9.4%)
- Increased transformation successes as part of Accelerate programme through successful M&A transactions, expansion of production capacities and introduction of new product lines
- Dividend of €1.00 per share proposed
- Outlook 2022: significant year-on-year increase in revenue and slight improvement in operating profit

**Fulda, 28 April 2022** – KAP AG (“KAP”), a mid-sized industrial holding company listed on the stock exchange, today published its 2021 annual report with audited annual earnings figures. It generated revenue from continuing operations of €345.6 million in the 2021 financial year. Revenue was thus around 7% higher than in the previous year and in the upper range of the forecast of €320 to 350 million, which had been revised upward in August 2021. Normalised earnings before interest, taxes, depreciation and amortisation (normalised EBITDA) amounted to €35.0 million, exceeding the previous year’s figure by 15%. Normalised EBITDA thus reached the mid-range of the most recent expectations, which ranged between €32 and 38 million. The normalised EBITDA margin increased by 0.7 percentage points to 10.1%, and was thus up on the self-imposed target of 10.0%. In a year shaped by numerous global uncertainties, these figures demonstrate once again KAP AG’s crisis resilience, mainly thanks to its diversified business model.

#### **Eckehard Forberich, member and Spokesman of the Management Board of KAP AG:**

“By consistently implementing the Accelerate measures, we have laid the foundations for shaping the KAP Group into a leading and future-oriented industrial holding company with sustainably enhanced profitability. In 2021, we proved that we can grow even in a very dynamic and uncertain market environment. This shows that the long-term transformation measures are working and that we now have the opportunity to put the Company on a stable growth path.”

## **Heterogeneous segment development and high-growth investments**

The KAP Group's individual segments presented a heterogeneous development of business again in the 2021 financial year. The segments with a sharper focus on the automotive sector were noticeably affected by the disruptions to global supply chains in the second half of the year, with the result that the strong recovery trend of the first six months could not be continued.

By contrast, the flexible films segment, which is particularly active in the construction sector, remained on its growth course, with revenue rising by 28.3% to €128.4 million. The rise in revenue is attributable in particular to sales growth in the construction and swimming pool films sectors, as well as to the acquisition of the extrusion specialist Aero Coated Fabrics in the first quarter of 2021. Normalised EBITDA improved by 23.0% to €18.2 million. The normalised EBITDA margin decreased by 0.6 percentage points, falling slightly to 14.2%, in particular as a result of higher raw material prices in the procurement of PVC and plasticisers.

In the engineered products segment, production capacities were consolidated in 2021 as planned, with a corresponding decrease in revenue of around 7% to €118.0 million. The operating result, however, increased significantly by 58.3% to €7.6 million. The normalised EBITDA margin also improved significantly from 3.8% to 6.4%. In order to strengthen its position as global market leader in technical textiles, KAP has so far invested a single-digit million-euro figure at its Hessisch Lichtenau site. In addition to the new production hall extending over 2,700 square metres, the corresponding construction project includes an efficient, state-of-the-art production plant for technical yarns with an afterburner system fuelled with renewable energy as well as a new textiles lab.

Revenue in the surface technologies segment amounted to €57.6 million in the 2021 financial year, up 7.7% on the previous year. The increase was mainly due to the revival in demand in the automotive sector, particularly in the first half of the reporting period. Normalised EBITDA reached €10.4 million, up 2% year on year. In contrast, the normalised operating profit margin declined slightly from 19% to 18% as a result of various effects relating to the supply chain issue. As part of the Accelerate programme, the KAP Group prioritised the rapid construction of the new site in Jasper, Alabama (USA) for its major customer Mercedes-Benz in this segment. KAP invested some €13 million in this construction project in the 2021 financial year. Production activities at the new site are expected to make a positive contribution to segment earnings in the 2022 financial year.

In the precision components segment, revenue decreased slightly by 2.0% to €38.8 million due to supply bottlenecks for semiconductors on the customer side. Normalised EBITDA decreased by 15.8% to €1.6 million, while the normalised EBITDA margin decreased by 0.7 percentage points to 4.1%. This development stems from the weak business performance in the fourth quarter of 2021 in connection with the supply chain issue. Capital expenditure was significantly increased in the precision components segment and was attributable to the construction of a new facility for the manufacture of e-bike components.

The it/services segment, which was sold at the end of June 2021, has been accounted for as a discontinued operation in accordance with the applicable IFRS requirements.

Overall, the pandemic impact and significant disruptions in global supply chains were successfully mitigated thanks to the KAP Group's diversified investment approach and the strong market position of the segment companies in their respective niche markets.

### **Strengthening the portfolio through M&A transactions**

As part of the Accelerate strategy programme, KAP AG further focused its portfolio in the 2021 financial year as well as in the first quarter of the current financial year. On the one hand, non-core assets, such as the it/services segment and the commercial property in Fulda, were sold. With these divestments, KAP strengthened its investment focus on industrial production companies in the core segments. On the other hand, KAP AG made two portfolio-strengthening acquisitions in the flexible films segment with the takeover of extrusion specialist AerO Coated Fabrics and plastics specialist Haogenplast. AerO Coated Fabrics is a highly specialised extrusion company and manufacturer of thermoplastic composites based in the Netherlands. 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.

### **Dividend of €1.00 per share proposed**

The Group's annual profit/loss after taxes improved considerably from €-2.7 million to €39.9 million. Earnings per share rose accordingly from €-0.35 to €5.14. The proposal by the Management Board and Supervisory Board for the appropriation of profits for the past 2021 financial year provides for a dividend of €1.00 per dividend-bearing share despite volatile underlying conditions. That said, the Management Board will monitor developments in connection with the Russia-Ukraine war very closely and review the proposal before the Annual General Meeting.

### **Solid financing structure despite high capital expenditure**

Despite the challenging environment and high investments, KAP AG was able to maintain its solid capital structure in the 2021 financial year. Net financial debt was thus reduced further during the year and amounted to around €52 million as of 31 December 2021 (previous year: around €55 million). As part of working capital management, inventories were increased in response to the volatile situation and shortages on the raw material markets. Despite the high level of capital expenditure and increased inventories, free cash flow was positive at €27 million (previous year: around €34 million).

**Marten Julius, CFO of KAP AG:** “With its healthy and solid financial structure and positive free cash flow, KAP can continue to focus on further growth in an increasingly uncertain economic environment.”

### **Transformation process to be completed by the end of 2023**

For the 2022 financial year, the Management Board assumes that the KAP Group’s business performance will continue to be significantly influenced by the persistently dynamic and uncertain market environment. The war that has broken out between Russia and Ukraine and its considerable direct and indirect impact on the global economy will also have a negative impact on business development. Due to the high resilience of the diversified investment model and the strong market positioning of the segments, the Management Board expects revenue to increase significantly year-on-year despite the volatile market environment. Normalised EBITDA is expected to increase slightly. The forecast takes into account the effects on the KAP Group’s business development foreseeable at the time of completion of the annual report 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 annual report was finalised may lead to subsequent changes in the forecast.

Despite all possible market distortions, the KAP Group will continue to focus on the consistent implementation of the Accelerate programme in order to continue on its growth path and complete the transformation process by the end of 2023 at the latest.

The complete audited 2021 annual report is available at this [link](#) for download.

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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 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 an attractive dividend. The Group currently has some 2,600 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).