

Corporate news

KAP SIGNIFICANTLY INCREASES REVENUE IN 2022

- Revenue: €433.5 million, up 25.4% year on year
- Normalised EBITDA: €35.9 million, up 2.6%
- Guidance forecast for full year realised despite difficult background conditions
- Challenging fourth quarter due to time lag in passing on cost increases and to supply chain issues at key customer groups
- Dividend of €1.00 per share proposed
- Focus on further efficiency enhancement in 2023 – outlook for slight growth in revenue and normalised EBITDA

Fulda, 27 April 2023 – KAP AG (“KAP”), a mid-sized industrial holding company listed on the stock exchange, achieved its guidance forecast in the 2022 financial year despite challenging economic conditions. Indeed, the company generated revenue of €433.5 million, up 25.4% on 2021, and normalised EBITDA of €35.9 million, up 2.6%. Excluding the contribution to revenue from the acquisition of Haogenplast, this corresponds to organic revenue growth of 11.4%. However, with a normalised EBITDA margin of 8.3%, KAP has fallen short of its target of at least 10%. This reflects the fact that it was not possible to pass on to customers the significant cost increases for energy and raw materials, particularly in the fourth quarter, in full or immediately.

Eckehard Forberich, member and Spokesman of the Management Board of KAP AG: “2022 was characterised by manifold challenges such as significant price increases, macroeconomic headwinds and, in some cases, collapsing markets of our end customers. We are therefore proud of the fact that we were nevertheless able to fully achieve our 2022 guidance forecast. Having said that, we are continuing to work at full speed on further optimisation with respect to efficiency and flexibility.”

All segments report revenue increases and varying earnings trends

The *flexible films* segment continued its growth course in 2022, partly driven by the acquisition of Haogenplast completed in February. Influenced by megatrends such as global warming, demographic change and a decline in public swimming pools, the segment recorded an increase in demand for swimming pool liners and thus also revenue growth of 37.9% to €177.1 million (previous year: €128.4 million). However, price increases could only be passed on to customers with a time lag, and some discontinued their previously significant business in Russia; in addition, the decline in construction activity impacted earnings. Nevertheless, normalised EBITDA climbed by 23.1% to €22.4 million (previous year: €18.2 million). The normalised EBITDA margin fell slightly by 1.6 percentage points to 12.6% (previous year: 14.2%), particularly due to the increase in prices of raw materials.

The *engineered products* segment increased both revenue and EBITDA significantly, due in particular to its more high-quality product mix, lower scrap rates and further optimisation measures.

The segment's revenue thus increased by 23.5% to €145.7 million in the reporting period (previous year: €118.0 million). Normalised EBITDA likewise increased significantly by 21.1% to €9.2 million (previous year: €7.6 million).

The global supply chain difficulties in the automotive industry were clearly reflected in the *surface technologies* segment. In addition, it was not possible to pass on the rise in costs in full nor immediately. However, revenue in the segment still increased by around 13.4% to €65.3 million (previous year: €57.6 million). Normalised EBITDA decreased, however, by 34.6% to €6.8 million in the reporting period (previous year: €10.4 million). The normalised EBITDA margin decreased by 7.7 percentage points to 10.4% (previous year: 18.1%) as a result of various effects in connection with the supply chain issues.

The *precision components* segment also struggled with the challenges facing the automotive industry, both in terms of revenue and at earnings level. Nevertheless, the segment recorded a 17.5% increase in revenue in the 2022 financial year to €45.6 million (previous year: €38.8 million). Normalised EBITDA dropped significantly to €-0.1 million (previous year: €1.6 million). The drop is mainly due to prices only being passed on partly and with a time lag.

Consolidated profit/loss after taxes came to €-1.7 million (previous year: €39.9 million) with earnings per share of €-0.22 (previous year: €5.14). Net debt stood at around €107.8 million as of 31 December 2022 (previous year: €52.3 million). The increase was due in particular to financing the Haogenplast acquisition.

Proposed dividend: €1.00 per share

The Management Board and the Supervisory Board propose distributing an attractive dividend of €1.00 per share. However, the Management Board and Supervisory Board will review the proposal again before the Annual General Meeting against the background of the dynamic framework conditions.

Strategically honing its profile

As part of the Accelerate strategy programme, KAP AG continued to strategically develop its portfolio in the 2022 financial year – most notably through the acquisition of Haogenplast in the *flexible films* segment, which led to a substantial expansion of business with fabric-reinforced swimming pool liners. Furthermore, the profitable sale of a subsection of the segment demonstrates once again the successful approach of developing investees in a targeted and sustainable manner and regularly reviewing whether further expansion within or outside the KAP Group offers more potential for value enhancement.

Expansion of financial solidity and flexibility

KAP's secure financial foundation is underscored by the early conclusion of a new €125 million loan agreement that runs until April 2026. Furthermore, €50 million is earmarked for acquisitions, subject to the approval of the financing banks. With the new financing package, KAP has secured its financing for the next few years and can focus fully on operational issues in an increasingly uncertain economic environment. Of the total amount, €69.2 million had been drawn down as of year-end 2022.

Marten Julius, CFO of KAP AG: "We are in a solid position and have increased our financial flexibility, but we also have work to do, especially on the issues of price elasticity and our ability to pass on increased costs to customers."

Outlook

For the current financial year, the Management Board expects a slight year-on-year increase in revenue and normalised EBITDA. The complete audited Annual Report 2022 is available on KAP AG's website.

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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. The Group lets its shareholders participate in the long-term sustainable value development through an attractive dividend. KAP AG currently has some 2,700 employees at 24 locations in eleven countries. KAP AG is a Participant of the United Nations Global Compact and adheres to its principles-based approach to responsible business. KAP AG's shares are listed on the Regulated Market of the Frankfurt Stock Exchange (Prime Standard, ISIN DE0006208408).