

# Gurit 2018 Results

Media and Analyst Conference

Zurich, February 28<sup>th</sup>, 2019



**DELIVERING THE FUTURE OF COMPOSITE SOLUTIONS**

[www.gurit.com](http://www.gurit.com)

## Introductory Statement

This presentation may include forward-looking statements that reflect the intentions, beliefs or current expectations and projections of Gurit Holding AG about the future results of operations, financial condition, liquidity, performance and similar circumstances.

Such statements are made on the basis of assumptions and expectations which may prove to be erroneous, although Gurit Holding AG believes them to be reasonable at this time.

# AGENDA



1

**Strategy Update**

2

Business Update

3

Financial Results 2018

4

End of webcast & Questions

# Gurit Strategy Update 2018

Rudolf Hadorn, CEO



## Ambition 2019

- **Net Sales 2019** are expected to exceed 500m CHF
- **Operating Profit 2019** is expected to be in 8-10% RoS range

## Strategic decisions of 2018

Gurit adjusted strategic market priorities:

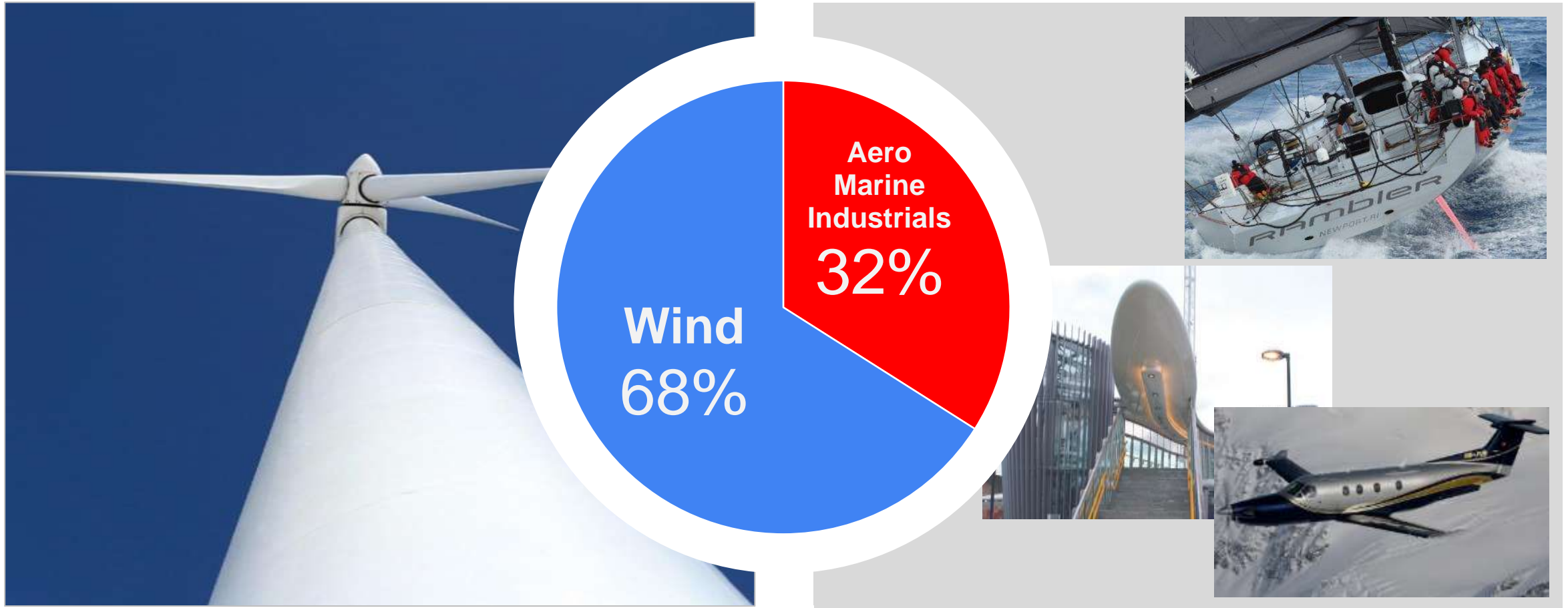
- Strategic market: **Wind Energy**
- Key niche markets to develop: **Aerospace** and **Marine/Industrial**
- **To be divested:** Automotive Components, Mineral Casting

## Acquisition

- Following above strategic decision to further focus on Wind:  
Acquisition of **JSB (Gurit Kitting)** in Q4 2018



# Distribution of sales (continued business)

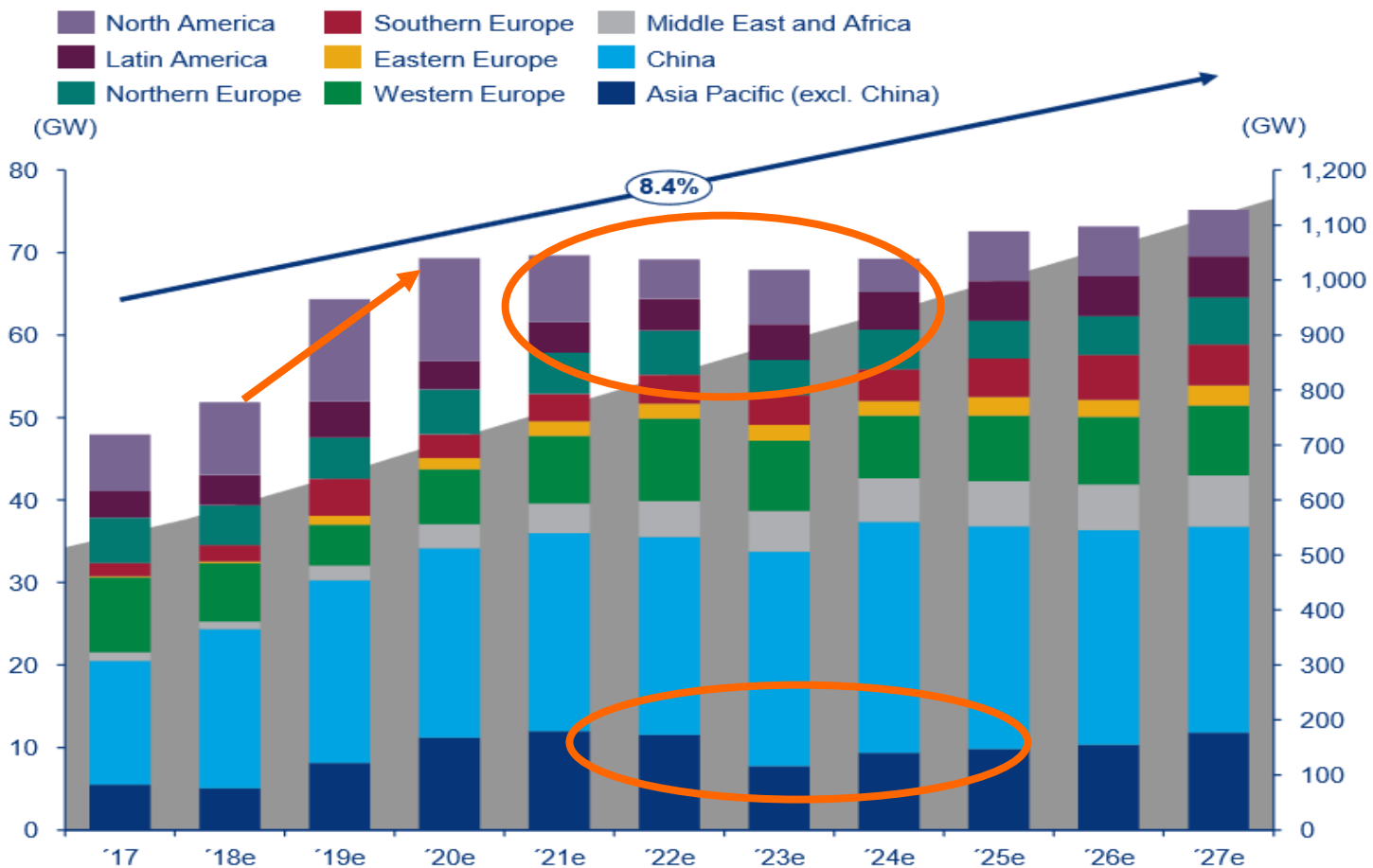


# Wind Energy Market Growth 2017-2027

## 8.4% CAGR (GWh)



### Global grid-connected forecast: 2017 to 2027e



### Key comments:

- **8.4% CAGR 2017 – 27**
- 2019 forecasted as a **top year**
- Visibility 2019-21 for **strong growth**

Note: \*See methodology. Quarter over quarter change is not indicated by arrows if the difference is less than 100MW.

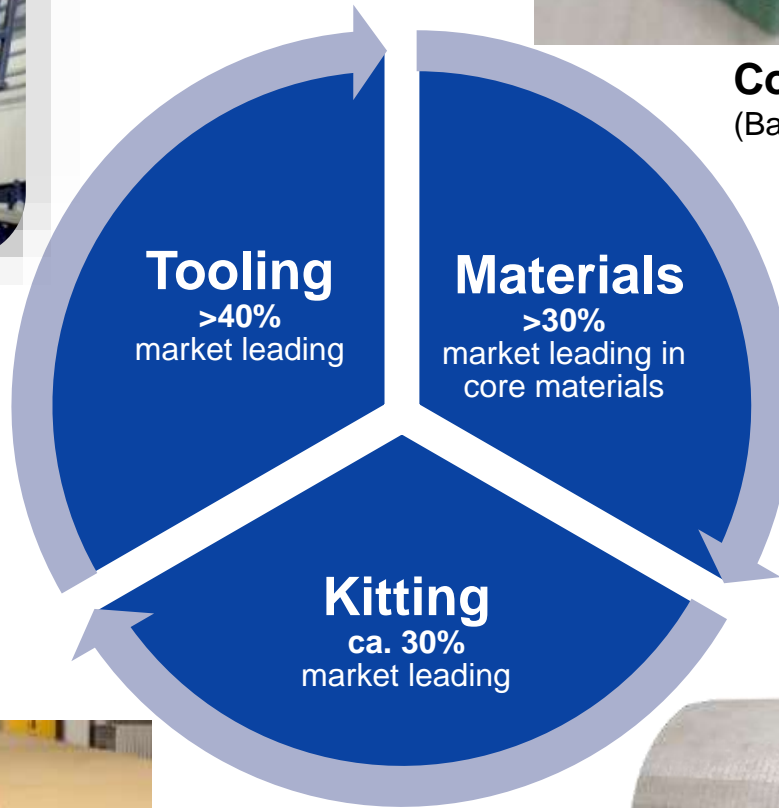
Source: Wood Mackenzie Q4/2018

CAGR: Compound Annual Growth Rate

# Gurit Offering for Global Wind Market



**Core materials**  
(Balsa, PVC, PET, SAN)



**Niche specialities**  
(prepeg, formulated)





Market		Strategic Market	Key Niche Markets		
		Wind	Aero	Marine	Industrials
Offering					
Materials	Core 	✓		✓	✓
	Prepreg 	✓	✓	✓	✓
	Formulated 	✓		✓	✓
Tooling 	✓				
Kitting 	✓				
Engineering				✓	✓
Components (→ Divestment process)					

# AGENDA

1 Strategy Update

**2 Business Update**

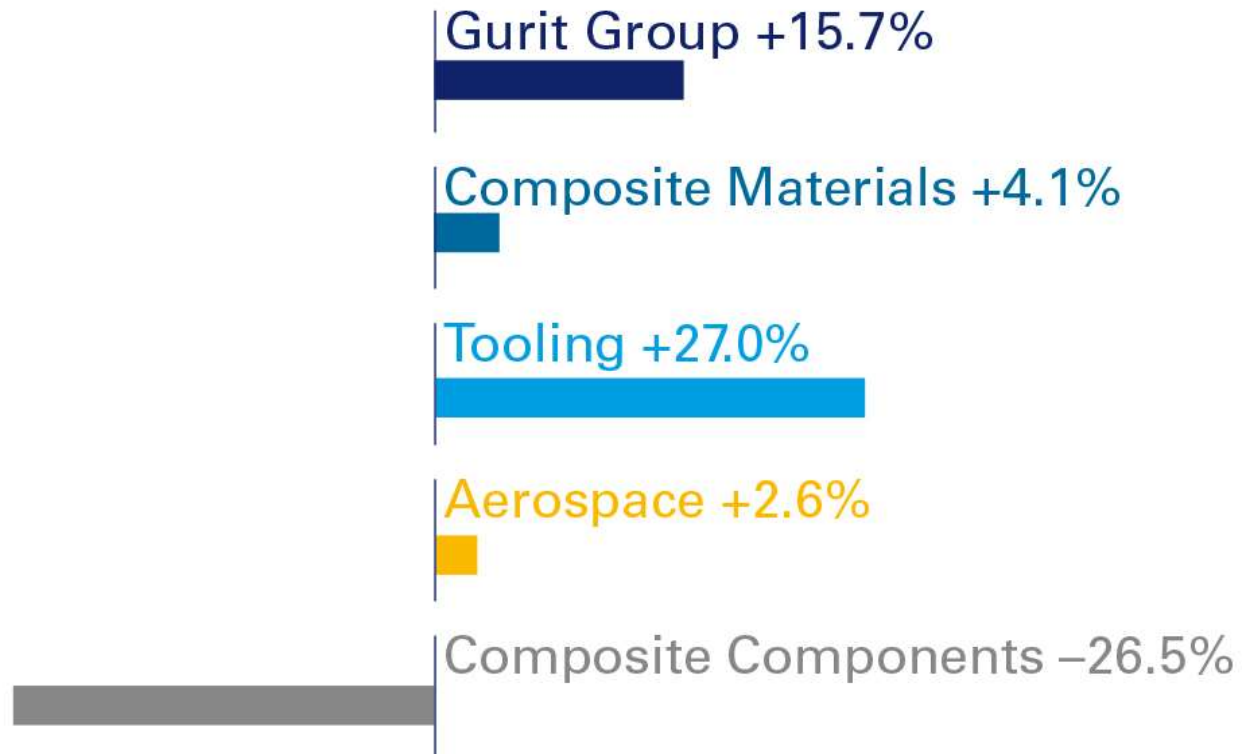
3 Financial Results 2018

4 Questions

# Gurit 2018 Business Update



# Sales dynamics 2018 over 2017



(at constant rates)

# Key Financial Notes 2018



<b>Net Sales Growth</b>	<b>CHF reported</b>	<b>FX Adj.</b>	<b>FX &amp; Acq. adj.</b>
<b>Total</b>	<b>18.0%</b>	15.7%	6.6%
Continued Operations	20.8%	18.5%	8.9%
Discontinued Operations	-28.2%	-30.7%	-30.7%

<b>Operating Profit and RoS</b>	<b>2018</b>	<b>2017</b>
<b>Total</b>	<b>6.7%</b>	10.0%
Continued Operations	11.0%	10.9%
Discontinued Operations	-113.9%	-4.7%

**Net Profit** of **CHF 19.9 million** (2017: CHF 24.9 million)

**Equity Ratio** at **33.8%** (2017: 71.1%)

**Net Debt:** **CHF 80 million** (2017: Net cash of CHF 32.7 million)

**Investments** of **CHF 15.3 million** (2017: CHF 12.0 million)

## Organisational changes

- **Aerospace** became an own Business Unit  
Nomination of Michael Muser new GM Aero
- Emiliano Frulloni nominated **new CTO**



Michael Muser

## Product introductions

- **Kerdyn® Green** PET foam to Wind Market
- **Balsaflex™ Lite** coated Balsa to Wind Market
- **Ampreg 3x** series lamination resin to Wind and Industrial/Marine



Emiliano Frulloni

## Sales Growth

- Indonesian **Balsa** JV site ramping up
- **Tooling** site expansion in China completed

## Operating Efficiency

- Merge of UK **Prepreg** business into Gurit Spain
- Tooling footprint changes: **NL site closed, PL site transformed**

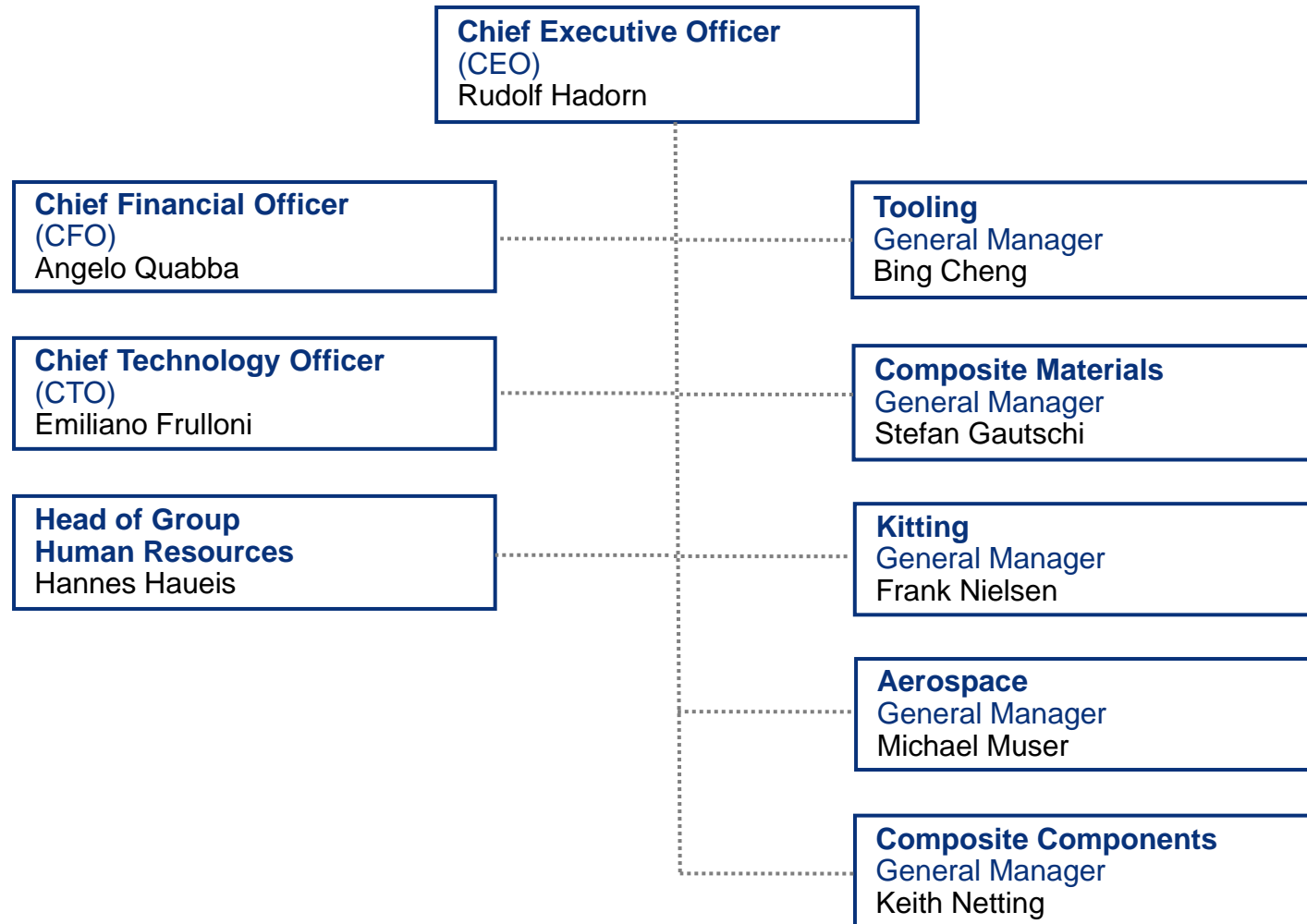
## Mergers & Acquisitions

- Acquisition of **JSB** (Gurit Kitting) with globally 6 sites
- **Divestment** of PVC factory in Qingdao, CN
- **Mineral Casting** sites CN and DE prepared for divestment



Tooling

# Organization chart



As of February 2019



# Development in Key Markets



### Net Sales 2018: CHF 132.2m (CY 2017: 128.2m)

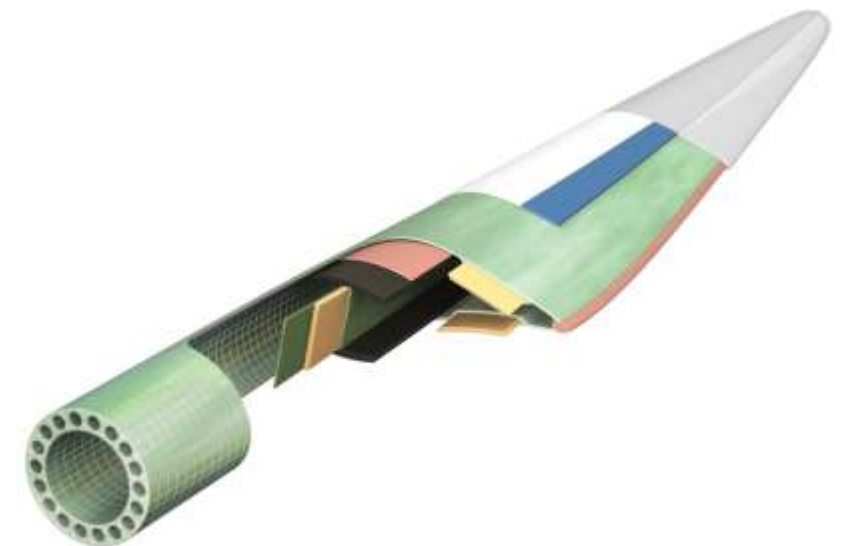
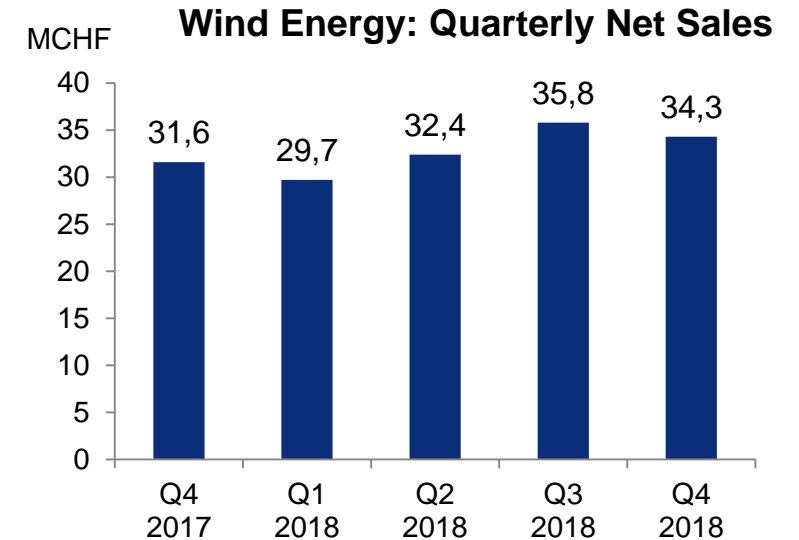
- Growth by 3.1% (FX adjusted: 0.7%) vs. CY 2017
- Good demand in Europe and Americas, stable in China, still weak in India.

### Key Business Steps 2018

- Launch of Kerdyn® Green and Balsaflex™ Lite as the future wind core materials solution
- Balsa production Indonesia set-up and SOP
- Divestment of PVC plant in Qingdao, CN
- Completed transfer: Prepreg production UK → Spain

### Business Outlook 2019

- Market demand increase globally to capacity limits
- PET production capacity step in CN to complete
- Clients qualify Kerdyn® Green PET and Balsaflex™ Lite



### Net Sales 2018: CHF 118.5 m (2017: CHF 91.8 m)

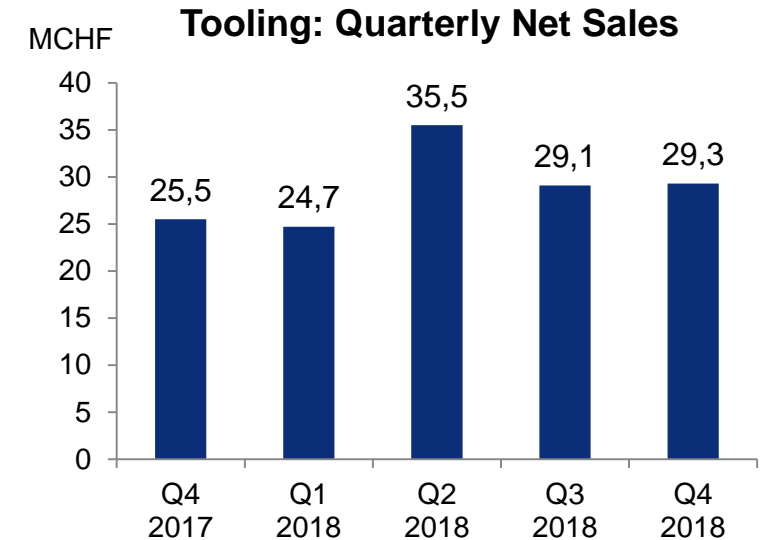
- Growth of 29.1% (currency-adjusted: 27.0%) vs. CY 2017
- Strong growth from existing and new regional and global customers, market share gains
- PH acquisition created extra growth and technology edge
- 59 moulds made in 2018 at average 66.6 meters of length and surface of 466.5m<sup>2</sup> per main mould

### Key Business Steps 2018

- New 150 meter long bay finished for maxi moulds
- Prepared the divestment of Gurit Mineral Castings for 2019

### Business Outlook 2019

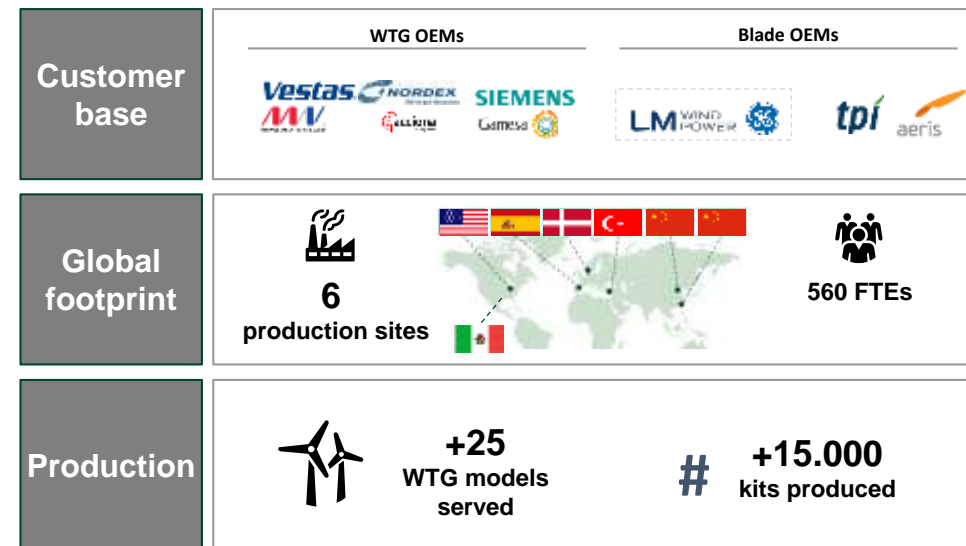
- Strong loading in H1, 2019
- Cut installation time and further increase price competitiveness
- Further market share growth



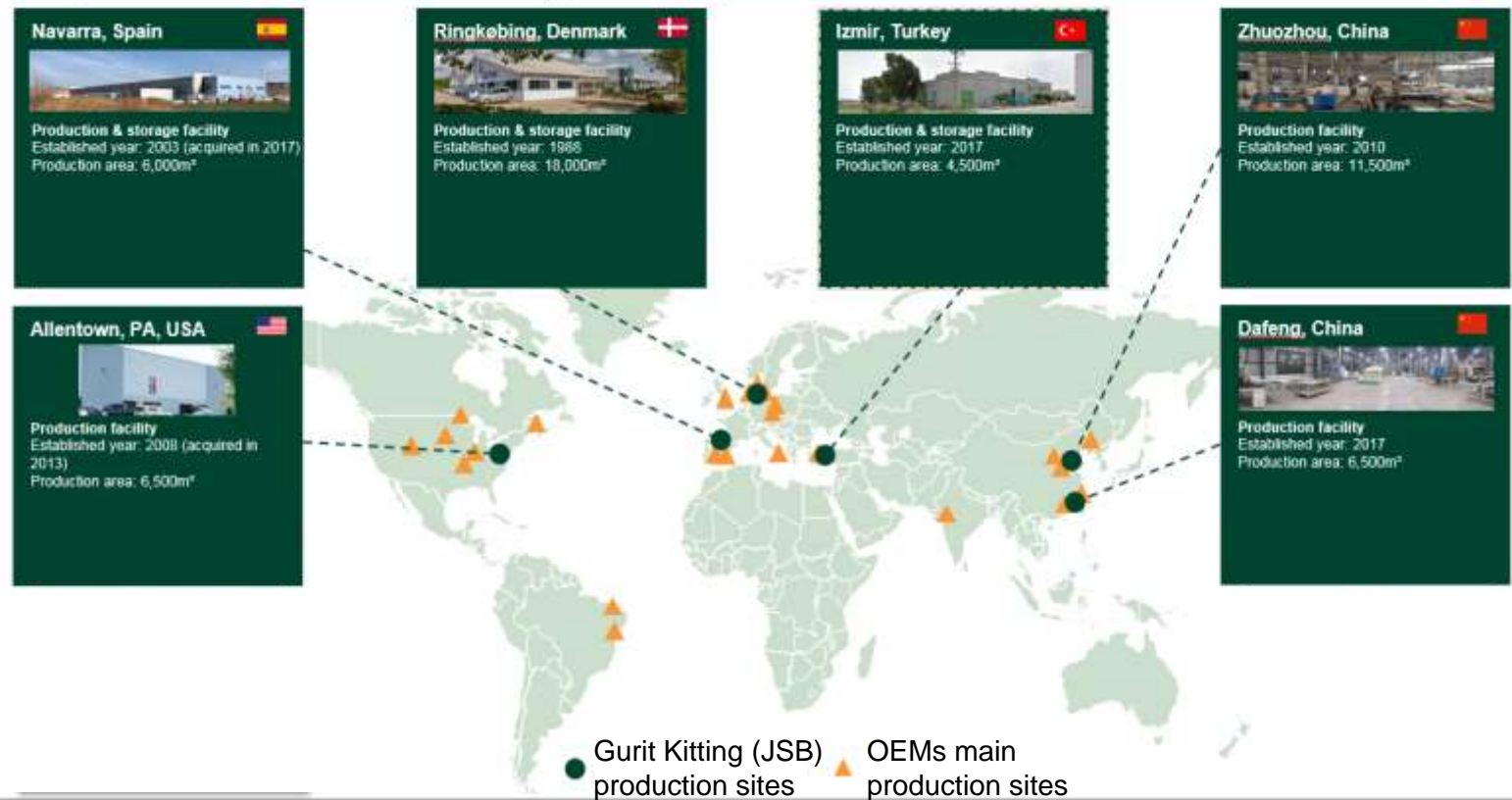
**Net Sales 2018: CHF 28.9 m**  
(Consolidated as of mid October 2018)

### Business Focus 2019

- Manage Gurit Kitting as a **self contained** business unit (“Chinese Walls”)
- Foster strong business **growth** as seen in past years in current site
- Add Matamores (MEX) as **7<sup>th</sup> production site**
- Readiness for **co-location of PET extrusion and kitting**, starting in Matamores 2020



## Gurit Kitting (JSB) production sites located in global wind blade production clusters



The wind blade kitting industry's only truly **global setup**

Well invested **production setup** across all sites

**Flexible production** setup allowing to follow our growing customers

Global setup **servicing all key OEMs** provides a natural downside protection

### Net Sales 2018: CHF 49.9m (CY 2017: 47.5m)

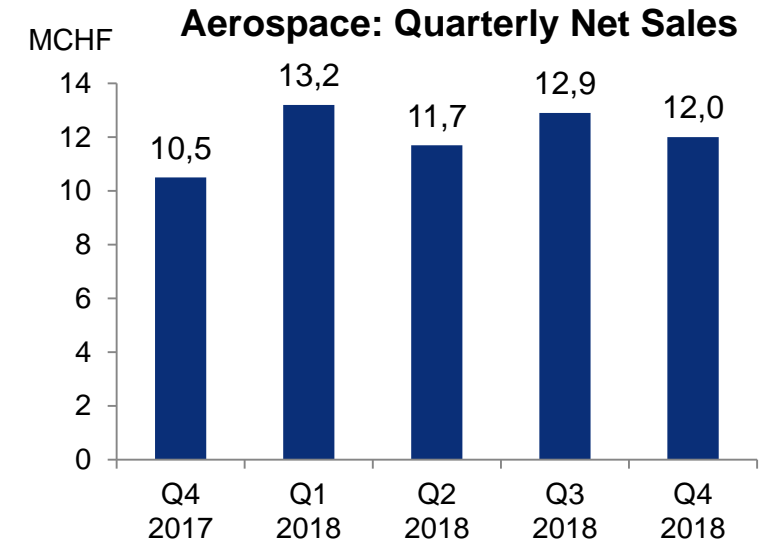
- Slight decrease due to [supply chain issues](#) at European OEM [offset with other customers](#)
- A380 build rate reduction impact
- [US Business](#) started with deliveries

### Key Business Steps 2018

- [Stronger focus and bundling](#) of resources as independent BU
- Appointed Michael Muser as GM Aerospace
- [Renewal](#) of 3-year framework agreement with long-standing customer EFW for cabin interiors

### Business Focus CY 2019

- [Business growth](#) mid single digit% over 2018
- Qualify additional products for [US demand](#)
- [Innovation](#) programs for industrialized prepregs and low heat release epoxy development



### Net sales 2018: CHF 78.9m (CY 2017: CHF 70.7m)

- Increase by 11.6% (FX adjusted: +10.4%) due to favorable demand in the global marine industry and industrial customers in North America and Asia-Pacific

### Key Business Steps 2018

- Stronger presence in **superyacht** and **race boat** market (engineering and material)
- Innovation effort for new product launches 2018: property, cost and H&S improvements

### Business Focus 2019

- Push **industrial** applications with **core** and **prepreg** material range (sandwich panels, lightweight equipment, non-leisure marine )
- **Product innovation** for prepreg and formulated for organic growth 2020+



# AGENDA

- 1 Strategy Update
- 2 Business Update
- 3 Financial Results 2018**
- 4 Questions



# Financial Results 2018

Angelo Quabba, CFO



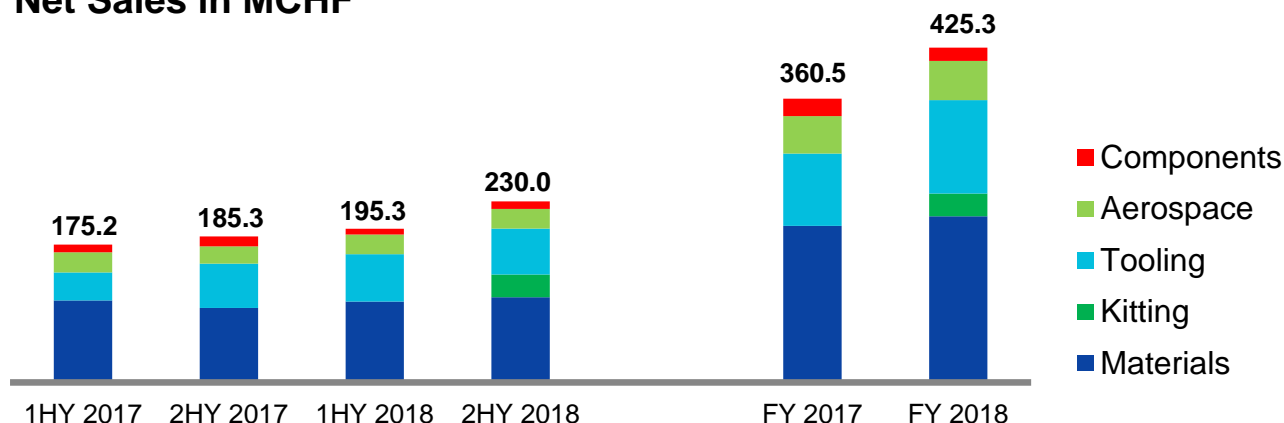
DELIVERING THE FUTURE OF COMPOSITE SOLUTIONS

[www.gurit.com](http://www.gurit.com)

# Net sales analysis by market



## Net Sales in MCHF



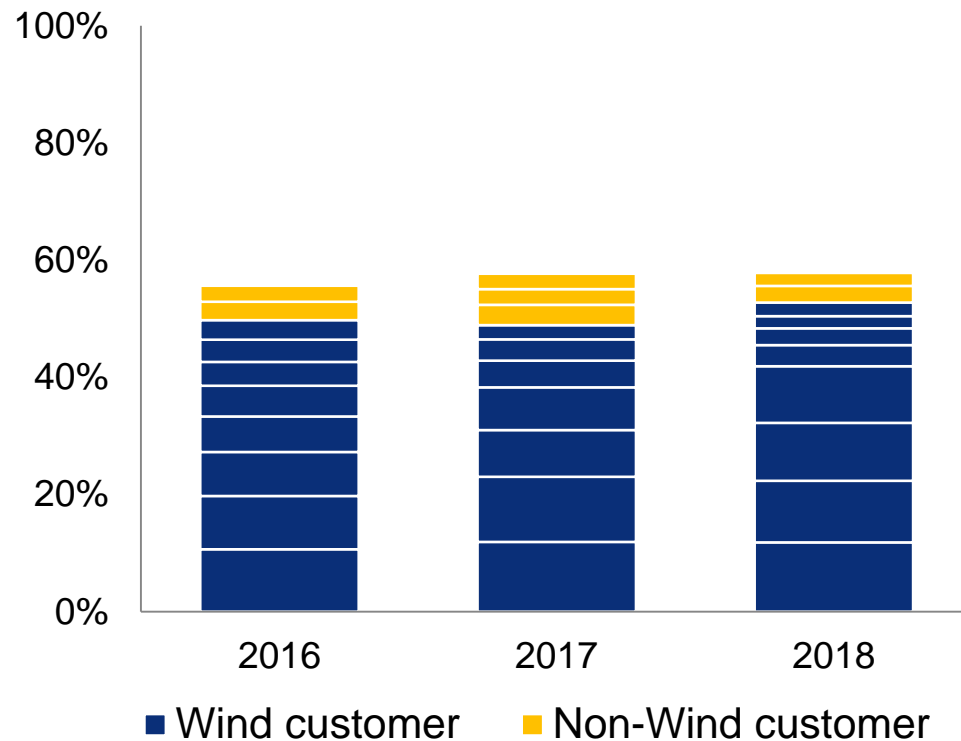
Net sales by markets in MCHF	2018	2017	Δ 2018 vs 2017	Δ 2018 vs 2017 FX adj.
Wind Energy	132.2	128.2	3.1%	0.7%
Marine & Others	78.9	70.7	11.6%	10.4%
<b>Composite Materials</b>	<b>211.1</b>	<b>198.9</b>	<b>6.1%</b>	<b>4.1%</b>
<b>Kitting</b>	<b>28.9</b>	<b>0.0</b>	-	-
<b>Tooling</b>	<b>118.5</b>	<b>91.8</b>	<b>29.1%</b>	<b>27.0%</b>
<b>Aerospace</b>	<b>49.9</b>	<b>47.5</b>	<b>5.0%</b>	<b>2.6%</b>
<b>Composite Components</b>	<b>16.9</b>	<b>22.3</b>	<b>-24.0%</b>	<b>-26.5%</b>
<b>Total Gurit Group</b>	<b>425.3</b>	<b>360.5</b>	<b>18.0%</b>	<b>15.7%</b>

- **Overall** currency-adjusted **growth of 15.7%** in net sales (6.6% growth exchange rate and M&A adjusted)
- **Composite Materials** achieved solid results in various market areas. **Wind demand** was good in North America and Europe. **Marine** superyacht and leisure market witnessed healthy growth.
- **Kitting:** newly acquired business unit contributed **CHF 28.9m** to the net sales for a period of 2.5 months
- **Tooling** reached yet a new **record sales** level
- **Aerospace** grew moderately, supported by increasing demand from an **American OEM**
- **Components** suffered from sharp **demand decline** in biggest volume contract

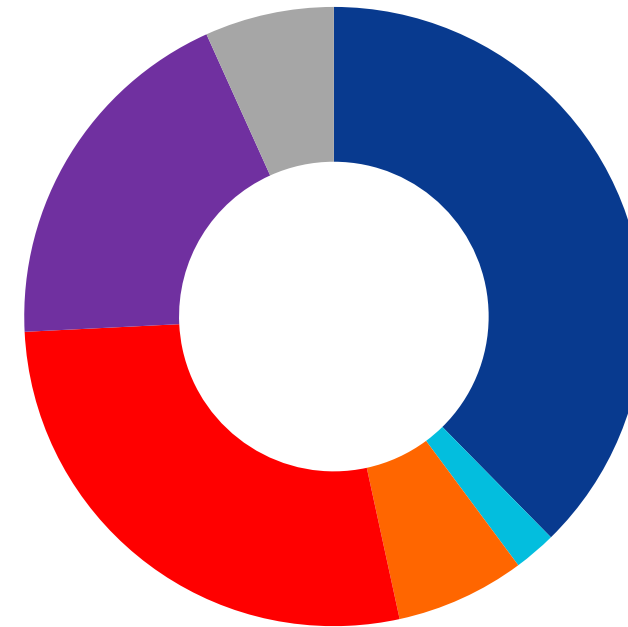
# Customer concentration & Net sales by destination



## Top 10 customers in % of Total Net Sales



## Net Sales 2018



2018 / (2017):

- Europe 38% (40%)
- Asia\* 2% (2%)
- India 7% (6%)
- China 28% (28%)
- Americas 19% (19%)
- Rest of the world 7% (5%)

\*Asia: excl. India and China

# Income Statement

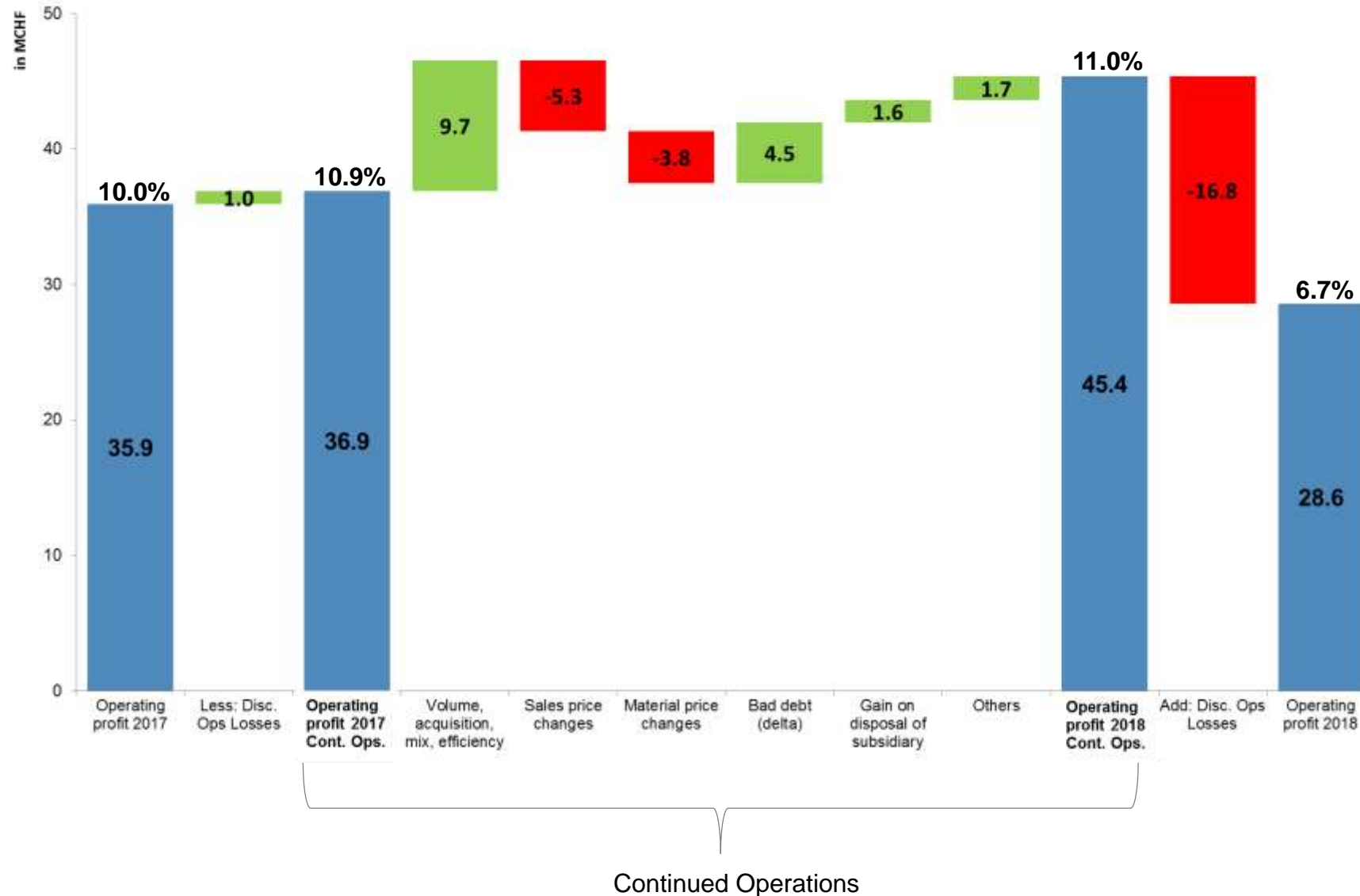
(Continued vs. Discontinued Operations)



Income Statement Continued Operations	2018		2017		Variance 2017 vs 2018	
	MCHF	% NS	MCHF	% NS	MCHF	%-pts
<b>Net sales</b>	<b>410.6</b>	<b>100.0%</b>	<b>340.0</b>	<b>100.0%</b>	<b>70.6</b>	<b>0.0%</b>
COGS	-319.4	-77.8%	-252.3	-74.2%	-67.1	-3.6%
<b>Gross profit</b>	<b>91.3</b>	<b>22.2%</b>	<b>87.7</b>	<b>25.8%</b>	<b>3.5</b>	<b>-3.6%</b>
SG&A	-47.7	-11.6%	-45.0	-13.2%	-2.8	1.6%
Other operating income and expense, net	1.8	0.4%	-5.8	-1.7%	7.7	2.2%
<b>Operating profit</b>	<b>45.4</b>	<b>11.0%</b>	<b>36.9</b>	<b>10.9%</b>	<b>8.5</b>	<b>0.2%</b>

Income Statement Discontinued Operations	2018		2017		Variance 2017 vs 2018	
	MCHF	% NS	MCHF	% NS	MCHF	%-pts
<b>Net sales</b>	<b>14.7</b>	<b>100.0%</b>	<b>20.5</b>	<b>100.0%</b>	<b>-5.8</b>	<b>0.0%</b>
COGS	-23.6	-160.5%	-19.3	-94.2%	-4.3	-66.2%
<b>Gross profit</b>	<b>-8.9</b>	<b>-60.5%</b>	<b>1.2</b>	<b>5.8%</b>	<b>-10.1</b>	<b>-66.2%</b>
SG&A	-1.6	-11.1%	-2.0	-9.8%	0.4	-1.3%
Other operating income and expense, net	-6.2	-42.4%	-0.1	-0.7%	-6.1	-41.7%
<b>Operating loss</b>	<b>-16.8</b>	<b>-113.9%</b>	<b>-1.0</b>	<b>-4.7%</b>	<b>-15.8</b>	<b>-109.2%</b>

# Operating Profit Bridge FY 2017 vs. FY 2018



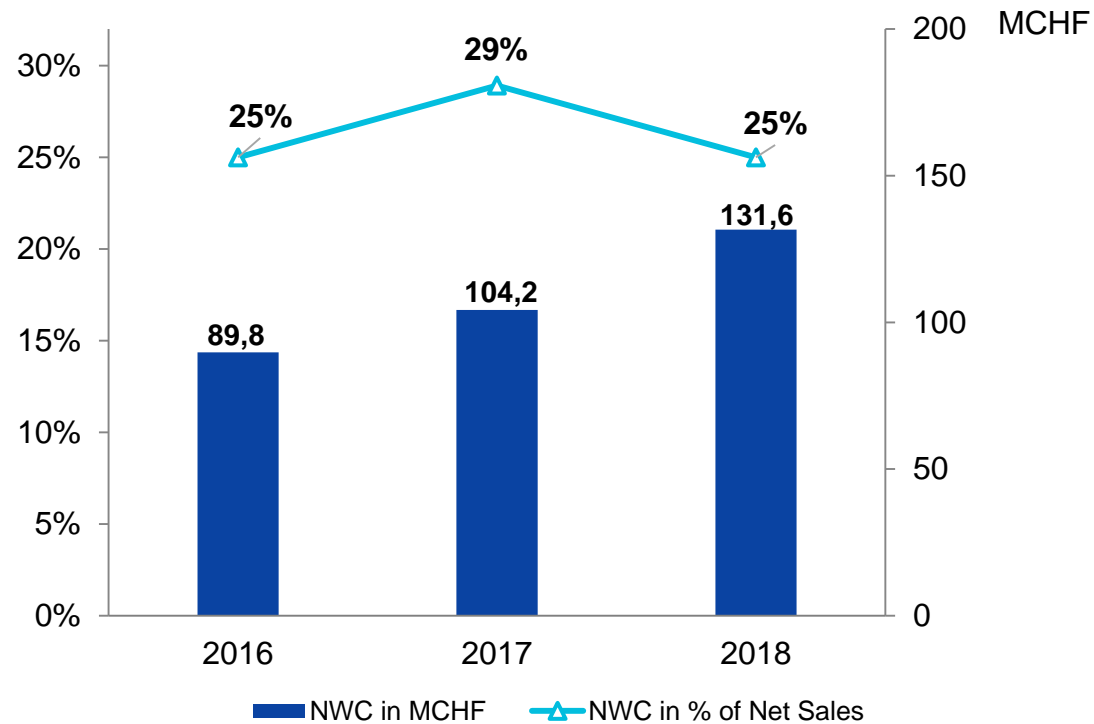
# Income Statement

(Total)



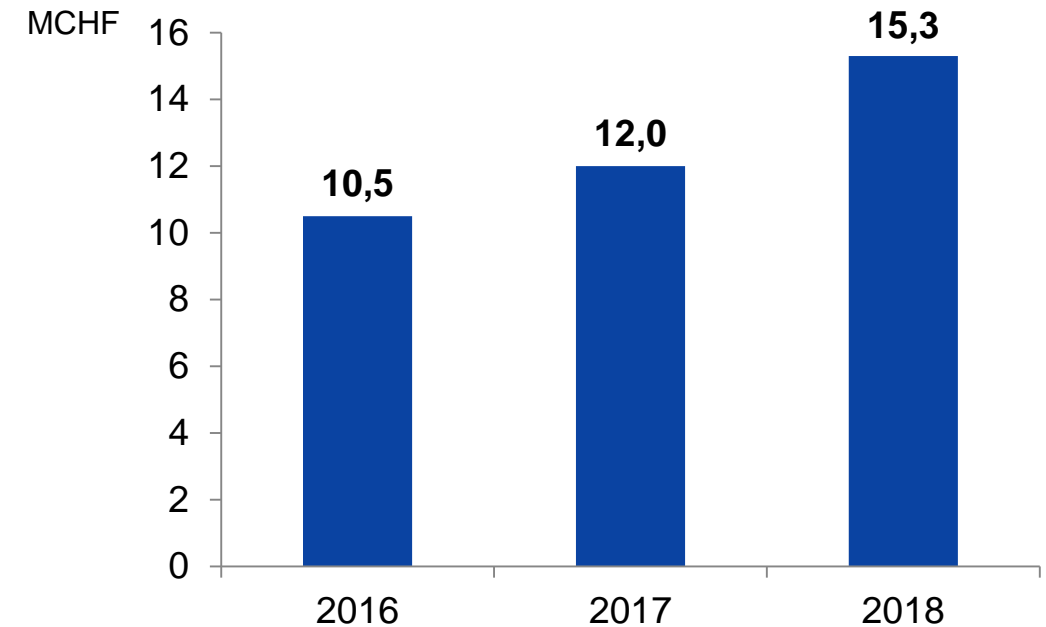
Consolidated Income Statement	2018		2017		Variance 2017 vs. 2018	
	MCHF	% NS	MCHF	% NS	MCHF	%-pts
<b>Net sales</b>	<b>425.3</b>	<b>100.0%</b>	<b>360.5</b>	<b>100.0%</b>	<b>64.8</b>	<b>0.0%</b>
COGS	-343.0	-80.6%	-271.6	-75.3%	-71.4	-5.3%
<b>Gross profit</b>	<b>82.3</b>	<b>19.4%</b>	<b>88.9</b>	<b>24.7%</b>	<b>-6.5</b>	<b>-5.3%</b>
SG&A	-49.4	-11.6%	-47.0	-13.0%	-2.4	1.4%
Other operating income and expense, net	-4.4	-1.0%	-6.0	-1.7%	1.6	0.6%
<b>Operating profit</b>	<b>28.6</b>	<b>6.7%</b>	<b>35.9</b>	<b>10.0%</b>	<b>-7.4</b>	<b>-3.2%</b>
Finance result	-0.8	-0.2%	-1.7	-0.5%	0.9	0.3%
Extraordinary result	-1.0	-0.2%	0.0	0.0%	-1.0	-0.2%
Taxes	-6.9	-1.6%	-9.3	-2.6%	2.4	1.0%
<b>Profit for the year</b>	<b>19.9</b>	<b>4.7%</b>	<b>24.9</b>	<b>6.9%</b>	<b>-5.0</b>	<b>-2.2%</b>
<b>Earnings per bearer share</b>	<b>CHF</b>	<b>42.96</b>	<b>CHF</b>	<b>53.32</b>		
<b>Distribution per bearer share</b>	<b>CHF</b>	<b>20.00</b>	<b>CHF</b>	<b>20.00</b>		

## Net Working Capital



- Net Working Capital mainly impacted by JSB acquisition.

## Capex



### Major capex projects in 2018:

- New production bay at Tooling factory in China
- Set up balsa wood factory in Indonesia
- Prototype building for ramp up Kitting
- Industrialization car part production in Hungary

# Balance Sheet



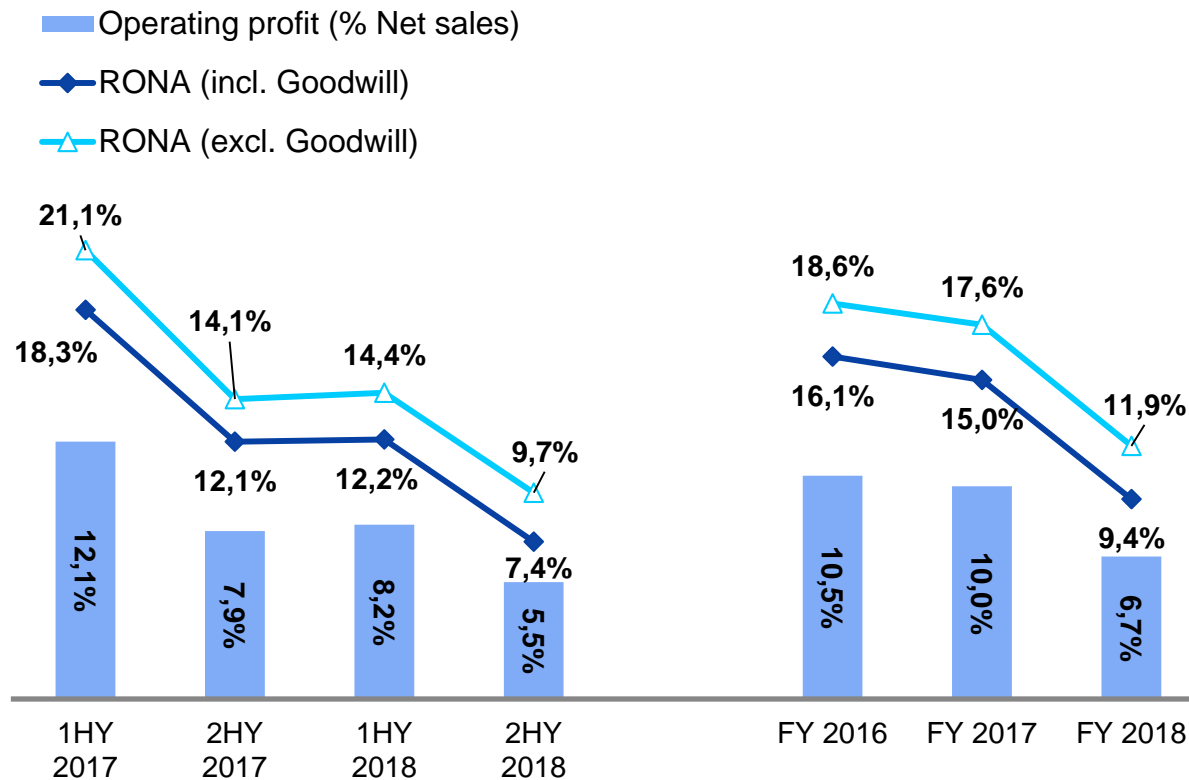
Consolidated Assets	Dec 2018		Dec 2017		Variance	
	MCHF	%	MCHF	%	MCHF	%-pts
Current Assets	268.4	73%	201.1	69%	67.3	3%
Non-current Assets	101.3	27%	88.8	31%	12.6	-3%
<b>TOTAL ASSETS</b>	<b>369.7</b>	<b>100%</b>	<b>289.9</b>	<b>100%</b>	<b>79.8</b>	<b>0%</b>

Consolidated Liabilities and Equity	Dec 2018		Dec 2017		Variance	
	MCHF	%	MCHF	%	MCHF	%-pts
Current Liabilities	153.3	41%	77.8	27%	75.4	15%
Non-current Liabilities	91.4	25%	6.0	2%	85.4	23%
Equity	125.1	34%	206.1	71%	-81.1	-37%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>369.7</b>	<b>100%</b>	<b>289.9</b>	<b>100%</b>	<b>79.8</b>	<b>0%</b>

- To fund acquisition of JSB, borrowings increased, leading to net debt position of CHF 80m
- Equity ratio reduced to 33.8%, as goodwill from JSB acquisition was immediately offset against equity
- Going forward Gurit intends to strengthen equity ratio again and to reduce net debts



# Operating Profit and RONA Development



- **FY Operating profit at 6.7%**, hampered by automotive components business.
- **RONA** decreased due to lower profit. Rona including goodwill was impacted by goodwill from JSB acquisition in October 2018.

# Cash Flow



Consolidated Cash Flow	2018	2017	Variance
	MCHF	MCHF	MCHF
<b>EBIT</b>	27.6	35.9	-8.3
Depreciation, amortisation, impairment	16.2	10.8	5.4
Change in working capital	-14.3	-9.1	-5.2
Other cash flow from operating activities	-10.2	-7.0	-3.2
<b>Net cash flows from operating activities</b>	<b>19.4</b>	<b>30.6</b>	<b>-11.2</b>
Purchase of PPE and Intangibles	-14.2	-11.7	-2.5
Proceeds from sale of PPE	0.1	0.1	0.1
<b>Free Cash Flow</b>	<b>5.3</b>	<b>18.9</b>	<b>-13.6</b>
Business acquisition	-78.5	-12.6	-65.8
Disposal of subsidiaries	0.6	0.0	0.6
Loans granted, net of repayments	-0.6	-1.4	0.8
Change in borrowings	89.6	10.3	79.2
Distribution to shareholders	-9.3	-9.3	0.0
Purchase of treasury shares	-1.2	-0.9	-0.3
<b>Change in Cash and cash equivalents</b>	<b>5.9</b>	<b>5.0</b>	<b>0.9</b>

- Strategic focus on **Wind Energy**, subsequent JSB (Gurit Kitting) **acquisition**
- Gurit “Go-to-Market”: **reduce complexity** and foster **profitable growth**
- Business environment for **Wind in 2019-2021** **very promising**, our offering is strong
- **Sales growth momentum** 2018 was positive and should stay **good for 2019**
- **Weak profitability** and cash flow generation in 2018 due to **automotive components**
- **Acquisition-driven net debt** of CHF 80 million at YE 2018 – **to be reduced** as of now
- Acquisition goodwill offset to equity **hurt equity base** – to be **raised again** as of now

