



# Gurit 1HY 2019 Results

## Media and Analyst Conference

**Rudolf Hadorn, CEO**  
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Zurich, August 16, 2019

DELIVERING THE FUTURE OF COMPOSITE SOLUTIONS



# Introductory statement

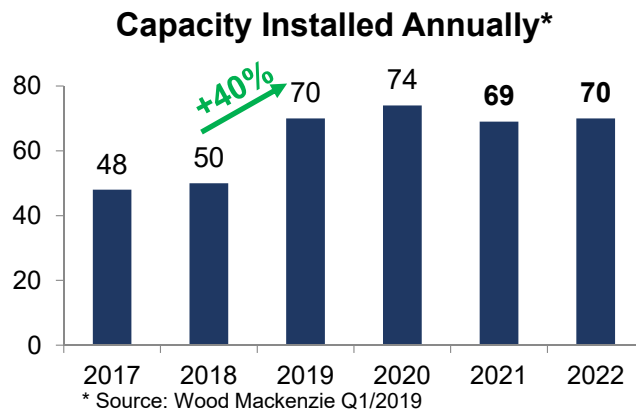
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# Agenda

1	<b>Business Update</b>
2	<b>Financial Results</b>
3	<b>Outlook and Summary</b>
4	<b>End of webcast; Questions</b>

# Wind Energy Demand Outlook

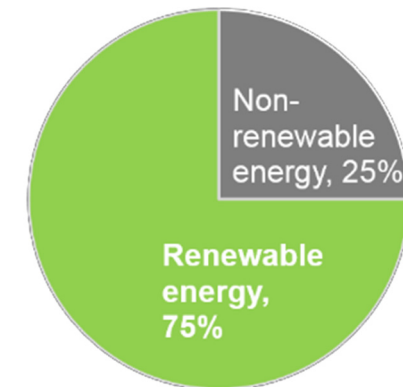


## Wind growth trends

- 2019: Strong demand step-up to ca. 70 GW, partly prebuilt
- 2020: Further increase forecasted to >70 GW
- 2021+: Overall demand situation may further improve; US PTC ends but new support in discussion (Offshore), India demand step-up 2020, reactions to missing the climate targets

## Long-term drivers favouring renewable energy (Wind/Solar)

- Cost competitiveness - at par/below non-renewable energy
  - Decarbonisation - so far, just growth of problem containment
  - Electrical mobility - need for more global electric power sources
- =  $\frac{3}{4}$  of global investment in new power generating technology by 2040 expected from renewable sources (BNEF 2017)



## Key Financial Notes

Net Sales Growth	CHF reported	FX Adj.	FX & Acq. adj.
<b>Total</b>	<b>45.8%</b>	48.3%	16.5%
Continued Operations	45.4%	47.9%	15.1%
Discontinued Operations	56.2%	61.1%	61.1%

Operating Profit Margin	1HY 2019	1HY 2018
<b>Total</b>	<b>9.7%</b>	8.2%
Continued Operations	12.5%	10.8%

**Net Profit:** CHF 18.2 million (1HY 2018: CHF 11.2 million) – improvement of 62.5%

**Equity Ratio:** 37.8% (Dec 2018: 33.8%) – ratio improvement of 4%

**Net Debt:** CHF 71.3 million (Dec 2018: Net debt CHF 80 million) – improvement by CHF 9 million

**Investments:** CHF 11.2 million (1HY 2018: CHF 8.9 million) – Outlook 2019: <= CHF 30 million

1HY 2019 OVER 1HY 2018



## Gurit Sales Growth 1HY 2019 (at constant FX rates)

Gurit Group +48.3%



Composite Materials +17.1%



Tooling +14.4%



Aerospace +12.2%



Composite Components +61.1%



Kitting acquired Q4/2018, no comparison

# Gurit Strategic Positioning And Investment Programs

- **Gurit business focus - 3/4 Renewable Wind Energy, 1/4 Lightweighting** (Aero, Marine and Industrial)
- **2018 Kitting acquisition** brings critical size and offers co-location synergies (Materials/Kitting)
- **Major strategic investment program in roll-out for future growth**
  - Wind: **PET extrusion capacity** increase 2019/2020 - 3 full extrusion lines in deployment
  - Wind: **Geographic footprint expansion:**
    - Mexico – Kitting and PET extrusion in Matamoros (2020) for Americas markets
    - India – Kitting (2020), PET supply within extruder strategy for growing Indian market and export
  - Aero: **Prepreg capacity expansion** in Kassel for Aero demand (2020)
  - Vertical Integration: «**Recycled bottle to precision core kit**» – for sustainability and cost reason

## Key Notes On Product Offering

- **Synthetic core** material operations (PET, SAN) operating at full capacity, readiness of key customers to enter into **longer term contracts**
- PET **upstream value chain extension** - recycling operations acquisition in Italy closed
- **Balsaflex™** wood sourcing now also available from Indonesia with JV Gurit Parta Balsa, despite that, significant raw material supply shortage and price inflation
- **Formulated** product range renewal with product performance and health&safety focus
- **Tooling automation** and new **power hinge offering** set underway



# Development By Business Units



## Composite Materials

**Net Sales: CHF 122.2m** (1HY 2018: CHF 106.0m)

- Increase by 15.3% (currency-adjusted: 17.1%) vs. 1HY 2018
- Wind: India still below potential; North America and Europe with good growth
- Other material markets: sales remained stable

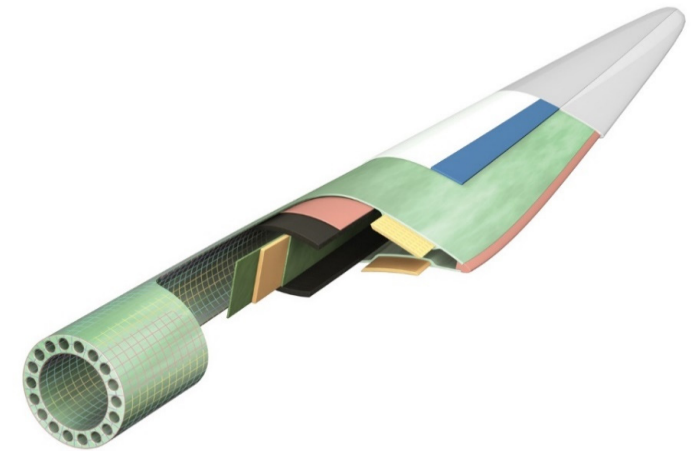
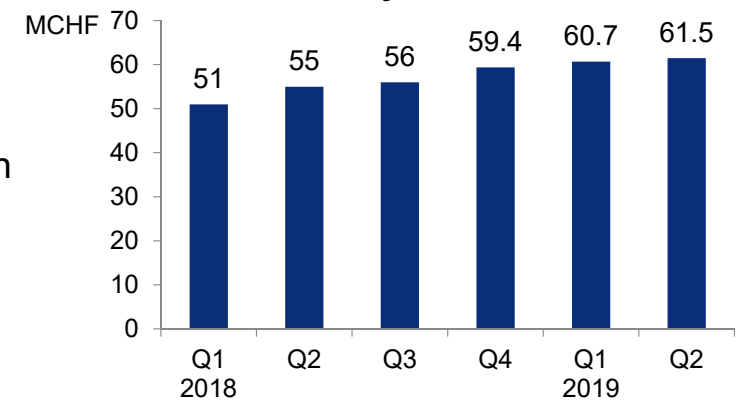
### Key Business Steps 1HY 2019

- Acquisition of PET recycling facility in Italy closed to supply PET granules
- PET capacity expansion one extruder commissioned, 2 in assembly stage for 2020 in China and Matamoros (MX)
- Balsa wood production in Indonesia ramp-up together with JV partner
- Successful consolidation of non-aero prepreg in Spain

### Business Focus 2HY 2019

- Capacity expansion PET including feedstock ramp-up
- Mexico co-located PET site readiness
- Balsa: volume recovery & Indonesia ramp-up
- Push industrial applications with prepreg material range

**Composite Materials:  
Quarterly Net Sales**



# Kitting

**Net Sales: CHF 75.2m**

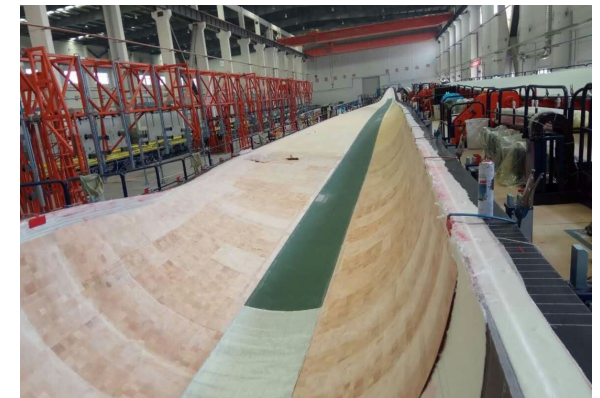
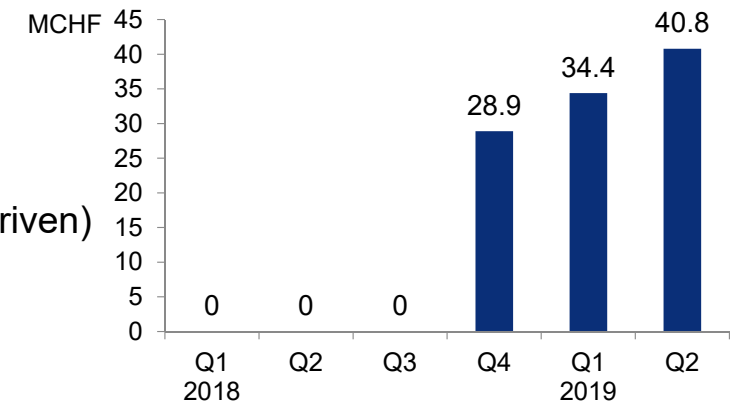
## Key Business Steps 1HY 2019

- Management of significant growth and material changes in kits (Shortage driven)
- Added Matamoros, Mexico as 7<sup>th</sup> production site

## Business Focus 2HY 2019

- Foster strong business growth as seen in past years in current sites
- Readiness for co-location of PET extrusion and kitting, starting in Matamoros in 2020
- Preparing India footprint for 2020

**Kitting: Quarterly Net Sales**



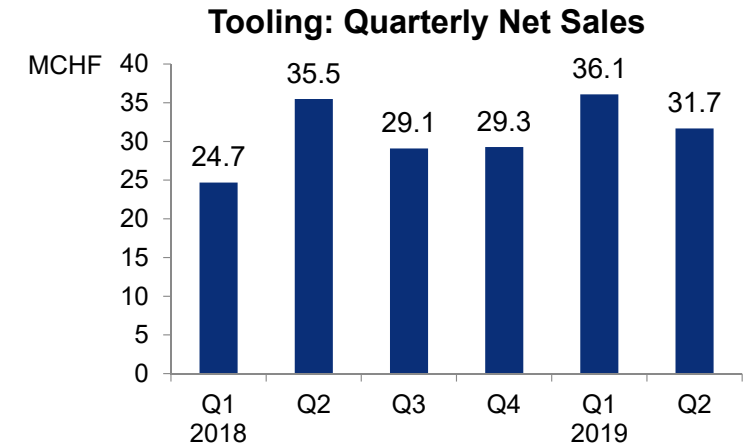
## Tooling

**Net Sales: CHF 67.8m** (1HY 2018: CHF 60.2m)

- Increase by 12.6% (currency-adjusted: 14.4%) vs. 1HY 2018
- Sales to EU/US OEMs supported by Wind market growth
- 23 sets of main moulds made in 1HY 2019 at 69.9 m length and surface of ~530 m<sup>2</sup> per mould on average

### Business Focus 2HY 2019

- Innovation focus on process automation (automation & transport devices)
- Innovation focus on new power hinge system
- Reduce installation time and further increase price competitiveness for customer benefit





## Aerospace

**Net Sales: CHF 27.5m** (1HY 2018: CHF 25.0m)

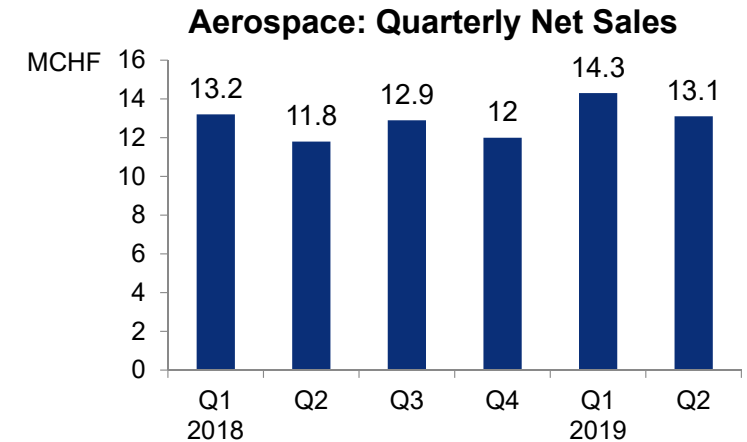
- European OEM caught-up lower build rates from last year
- US Business with double-digit growth

### Key Business Steps 1HY 2019

- Modernization and renovation of production site in Kassel, Germany
- Organizational improvements within newly formed business unit

### Business Focus 2HY 2019

- Innovation programs for industrialized prepregs and low heat release epoxy development
- Execute investments in additional prepreg tower for 2020
- Further customer qualifications to broaden customer base



# Composite Components

**Net sales: CHF 9.9m** (1HY 2018: CHF 6.3m)

- Increase by 56.2% (currency-adjusted: 61.1%) due to new and existing long-term volume programs gaining momentum from a low level last year

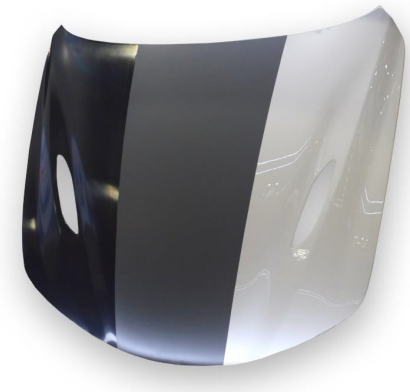
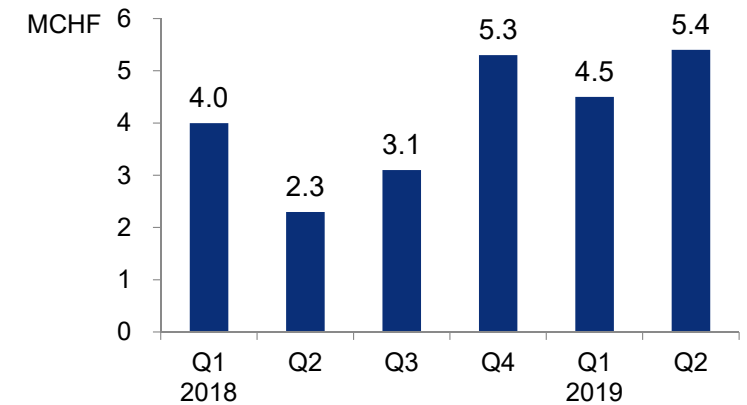
## Key Business Steps 1HY 2019

- Transfer from UK site to Hungary completed
- Operational efficiency with improvements
- Reduced loss rate

## Focus 2HY 2018

- Further operational improvements to eliminate losses
- Divestment process

**Composite Components:  
Quarterly Net Sales**

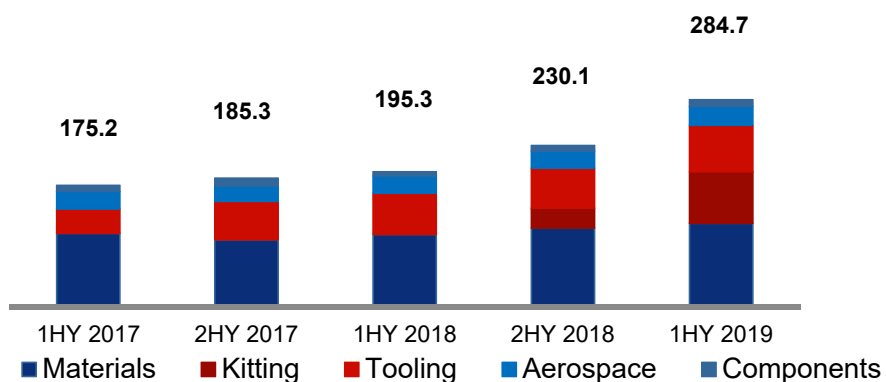


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# Net Sales Analysis by Markets

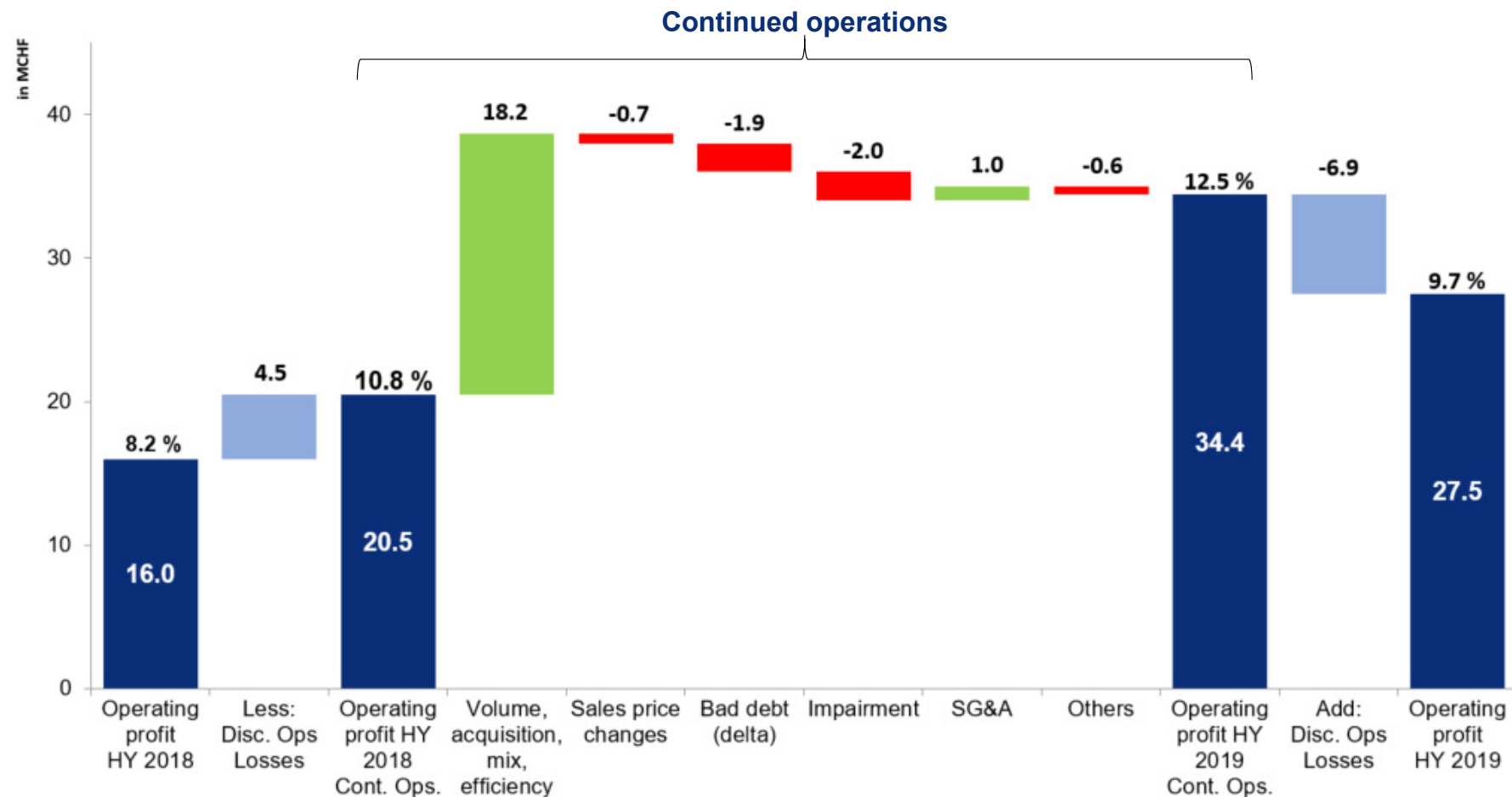
Net sales in MCHF



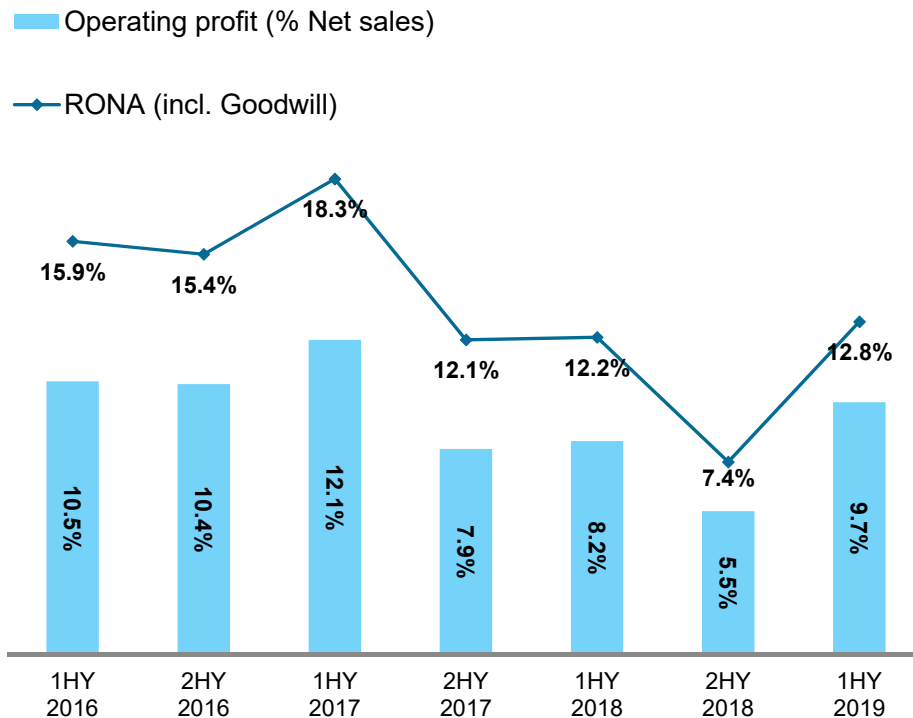
Total net sales by markets in MCHF	1HY 2019	1HY 2018	Δ 1HY 2019 vs 1HY 2018	Δ 1HY 2019 vs 1HY 2018 FX adj.
Composite Materials	122.2	106.0	15.3%	17.1%
Kitting	75.2	0.0	-	-
Tooling	67.8	60.2	12.6%	14.4%
Aerospace	27.5	25.0	10.0%	12.2%
Elimination	-17.8	-2.2		
<b>Total continued operations</b>	<b>274.9</b>	<b>189.0</b>	<b>45.4%</b>	<b>47.9%</b>
<b>Components (discontinued)</b>	<b>9.9</b>	<b>6.3</b>	<b>56.2%</b>	<b>61.1%</b>
<b>Total Gurit Group</b>	<b>284.7</b>	<b>195.3</b>	<b>45.8%</b>	<b>48.3%</b>



# Operating Profit Bridge 1HY 2018 vs. 1HY 2019



# Operating Profit and RONA Development



- **Operating profit at 9.7%**  
within the target guidance range of 8 – 10%
- **1HY 2019 impacted by:**
  - Growth in Wind market (materials and tools)
  - Impairment charges of CHF 6.7m
- **RONA**  
Increase in average asset base offset by very strong improvement in operating profit (1HY 2019 more than doubled vs. 2HY 2018)

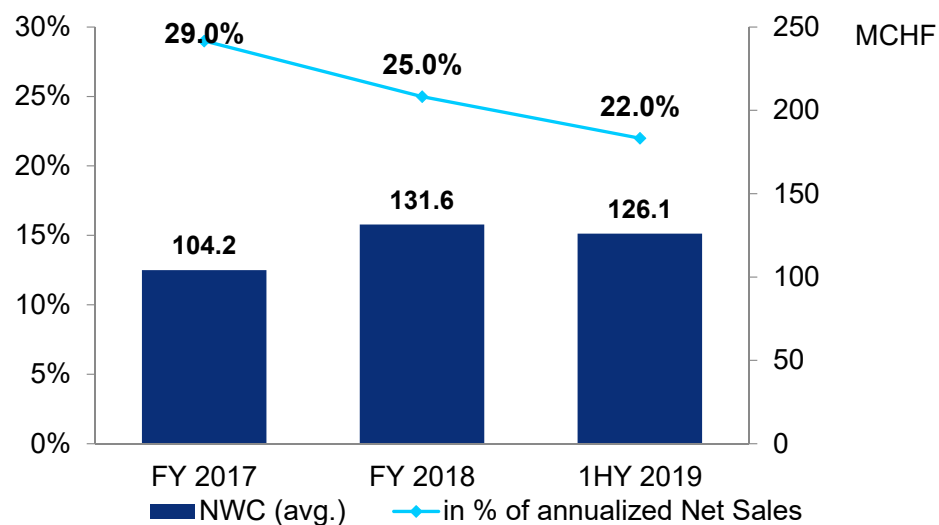
# Income Statement

Consolidated Income Statement	1HY 2019		1HY 2018		Variance	
	MCHF	% NS	MCHF	% NS	MCHF	%-pts
<b>Net sales</b>	<b>284.7</b>	<b>100.0%</b>	<b>195.3</b>	<b>100.0%</b>	<b>89.4</b>	<b>0.0%</b>
COGS	-221.7	-77.9%	-154.9	-79.3%	-66.8	1.4%
<b>Gross profit</b>	<b>63.0</b>	<b>22.1%</b>	<b>40.4</b>	<b>20.7%</b>	<b>22.6</b>	<b>1.4%</b>
SG&A	-27.5	-9.7%	-24.9	-12.8%	-2.5	3.1%
Other operating income and expense, net	-8.0	-2.8%	0.5	0.3%	-8.6	-3.1%
<b>Operating profit</b>	<b>27.5</b>	<b>9.7%</b>	<b>16.0</b>	<b>8.2%</b>	<b>11.5</b>	<b>1.5%</b>
Finance result	-3.0	-1.1%	-0.6	-0.3%	-2.4	-0.8%
Extraordinary result	0.0	0.0%	-1.0	-0.5%	1.0	0.5%
Taxes	-6.3	-2.2%	-3.2	-1.7%	-3.1	-0.6%
<b>Profit for the half-year</b>	<b>18.2</b>	<b>6.4%</b>	<b>11.2</b>	<b>5.7%</b>	<b>7.0</b>	<b>0.7%</b>

- **Prior half-year comparison** impacted by Kitting business acquired in October 2018
- **Net profit** benefitting from volume increase but impacted by CHF 6.7m of impairment charges

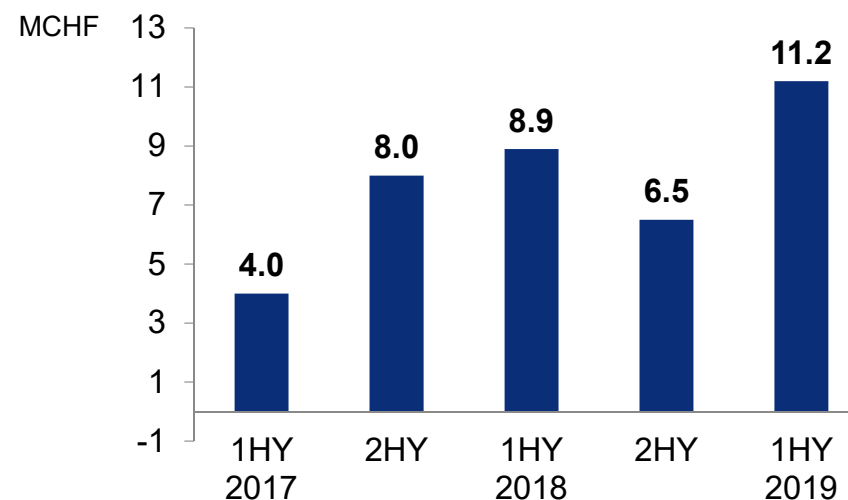
# Net Working Capital & Capex

## Net Working Capital



Net Working Capital (NWC) **improvements** from various actions, including additional receivables factoring

## Capex



### Major investments in 1HY 2019:

- PET production capacity increase
- Ramp-up of new Kitting facility in Mexico

# Balance Sheet

Consolidated Assets	Jun-19		Dec-18		Variance	
	MCHF	%	MCHF	%	MCHF	%-pts
Current Assets	255.9	72%	268.4	73%	-12.5	0%
Non-current Assets	97.7	28%	101.3	27%	-3.6	0%
<b>TOTAL ASSETS</b>	<b>353.6</b>	<b>100%</b>	<b>369.7</b>	<b>100%</b>	<b>-16.1</b>	<b>0%</b>

Consolidated Liabilities and Equity	Jun-19		Dec-18		Variance	
	MCHF	%	MCHF	%	MCHF	%-pts
Current Liabilities	141.9	40%	153.3	41%	-11.4	-1%
Non-current Liabilities	78.1	22%	91.4	25%	-13.3	-3%
Equity	133.7	38%	125.1	34%	8.6	4%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>353.6</b>	<b>100%</b>	<b>369.7</b>	<b>100%</b>	<b>-16.1</b>	<b>0%</b>

- Net working capital **CHF 126.1 million** (Dec-18: MCHF 131.6)
- Net debt **CHF 71.3 million** (Dec-18: MCHF 80.0)
- Equity ratio of **37.8%** (Dec-18: MCHF 33.8%)

# Cash Flow

Consolidated Cash Flow	1HY 2019	1HY 2018	Variance
	MCHF	MCHF	MCHF
<b>EBIT</b>	27.5	15.0	12.5
Depreciation, amortisation, impairment	13.5	5.1	8.4
Change in working capital	-2.0	-9.0	7.0
Other cash flow from operating activities	-6.9	-2.9	-4.0
<b>Net cash flows from operating activities</b>	<b>32.2</b>	<b>8.3</b>	<b>23.9</b>
Purchase of PPE and Intangibles	-11.2	-6.8	-4.4
Proceeds from sale of PPE	0.7	0.0	0.7
<b>Free Cash Flow</b>	<b>21.7</b>	<b>1.5</b>	<b>20.2</b>
Business acquisition	-2.3	0.0	-2.3
Loans granted, net of repayments	-0.8	-0.8	0.1
Change in borrowings	-17.2	11.8	-29.0
Distribution to shareholders	-9.3	-9.3	0.0
Purchase of treasury shares	-1.2	-1.2	0.0
<b>Change in Cash and cash equivalents</b>	<b>-9.1</b>	<b>2.0</b>	<b>-11.1</b>

Significant Free Cash Flow improvement from higher EBITDA and lower NWC investments

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## Outlook FY 2019

For FY 2019 Gurit expects to achieve above **CHF 525 million** in **Net Sales** and an **Operating Profit Margin** within the upper half of the target range of **8 – 10%**.



## Summary

- **Strong Wind market growth globally for 2019/2020**
- **Gurit business focus is  $\frac{3}{4}$  Renewable Energy,  $\frac{1}{4}$  Lightweighting**
- **Strong growth and good business results across all metrics in 1HY, 2019**
- **Major footprint and capacity expansion program underway across Gurit**
- **Divestment Automotive yet to complete**
- **Guidance increase for CY 2019 Net Sales to > CHF 525 million, Operating Profit Margin guidance unchanged**

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**End of webcast**  
**Thank you for your attention**

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