

# Gurit FY 2017 Results

Zurich, March 13, 2018



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# Gurit 2021 Strategic Ambitions



## ❑ Key Markets for Gurit Advanced Composites

- Wind, Aerospace and Automotive – 3 key strategic growth markets
- Marine and Industrial – 2 key niche markets
- Achieve leading market shares in each niche we operate in

## ❑ Sales Growth Ambition by 2021 at ca. CHF 500 million

- Organic growth to ca. CHF 450 million
- Acquisitive growth to add ca. CHF 50 million

## ❑ Operating Profitability Ambition Range is at 8-10% RoS, target upper end

## ❑ Shareholder Dividend Pay - Out Ratio

- Pay-out ratio of 30-40% of NIAT per annum



## ❑ **Key Product Innovations:**

- The market leading Core material range for Industry/Marine/Wind
- Leading lightweight TMC/Prepreg/Filming range for our markets
- Vitalize Formulated Product range – Laminating resins, Adhesives

## ❑ **Aero:** Organically grow in EU and US; “Downstream “ acquisitions if targets fit

## ❑ **Tooling:**

- Win more global/regional customers
- Reduce mould installation time by 50% and cost per mould by 10%
- Establish strong Composite Mineral Casting business in Europe and China and enter the ca. 100 MCHF market globally

## ❑ **Automotive:** Complete industrialisation steps by 2018; Introduce low cost material range in 2018; Component volume growth as of now

## ❑ **Acquisitions:** Growth acceleration (2018+) depending on suitable opportunities

# Gurit FY 2017 Business Update



- ❑ **2017 was a good year for Gurit** – given the headwinds in India/China and ME
  - 3% Topline Growth and
  - 10% Operating Profit including almost 1% ROS of one-time restructuring cost in the UK
  
- ❑ **Highlights and Lowlights:**
  - + Tooling: Another record year – across all relevant metrics
  - + Tooling: Acquisition of PH Windsolutions
  - + Mineral Casting start in China and Europe
  - + Wind: Novel Balsa Lite developed and Green PET launched
  - + Aero: Qualification with US OEM achieved
  - + Automotive Components with strong order intake

(-) Wind: Weak sales –  $\frac{3}{4}$  year demand halt in India, weaker CN

(-) Industry: Weak demand in construction industry (liquidity issue)
  
- ❑ **Operations**
  - Concentration of Non-Aero Prepreg production in Spain for cost/less complexity

- ❑ **Growth:** +3.1% (+2.4% in reported CHF) to CHF 360.5m (FY 2016: 352.0m)
- ❑ **Operating Profit and RoS:** CHF 35.9m (FY 2016: CHF 36.8m) and 10.0% (FY 2016: 10.5%) – target met for the third consecutive year
- ❑ **Investment:**
  - Capex of 11.7m (FY 2016: 10.5m) mainly Tooling, PET, Hungary
  - R&D investment in 2017 on similar level as 2016 (1.9% of net sales)
- ❑ **Balance Sheet and Cash Flow KPI:**
  - **Operating Cash Flow** of CHF 30.6m (FY 2016: 37.9m)
  - **Net Cash Position** of 32.7m (FY 2016: 37.2m)
  - **Equity Ratio** at 71.1% of total assets (FY 2016: 76.6%)





# Development by Key Markets



## ❑ Short-term situation:

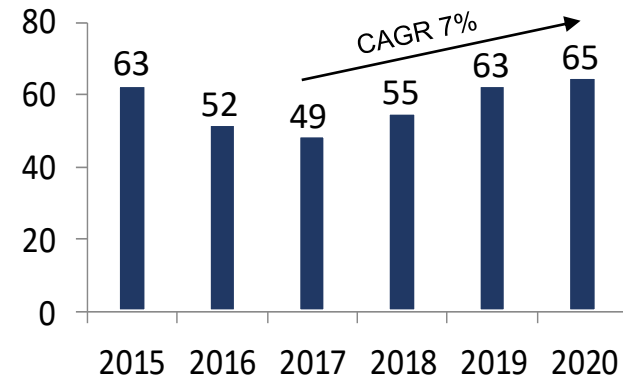
- Volume **correction 2016/2017** versus record year 2015

## ❑ Long-term trends favouring wind:

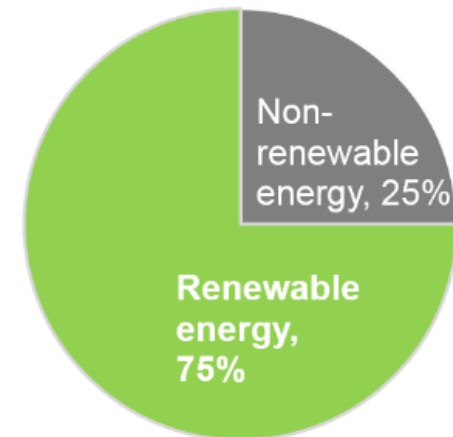
- Decarbonisation
- De-centralisation
- Digitalisation

=> **¾ of global investment** in new power generating technology by 2040 will be from renewable sources (BNEF 2017)

Capacity Installed Annually\*



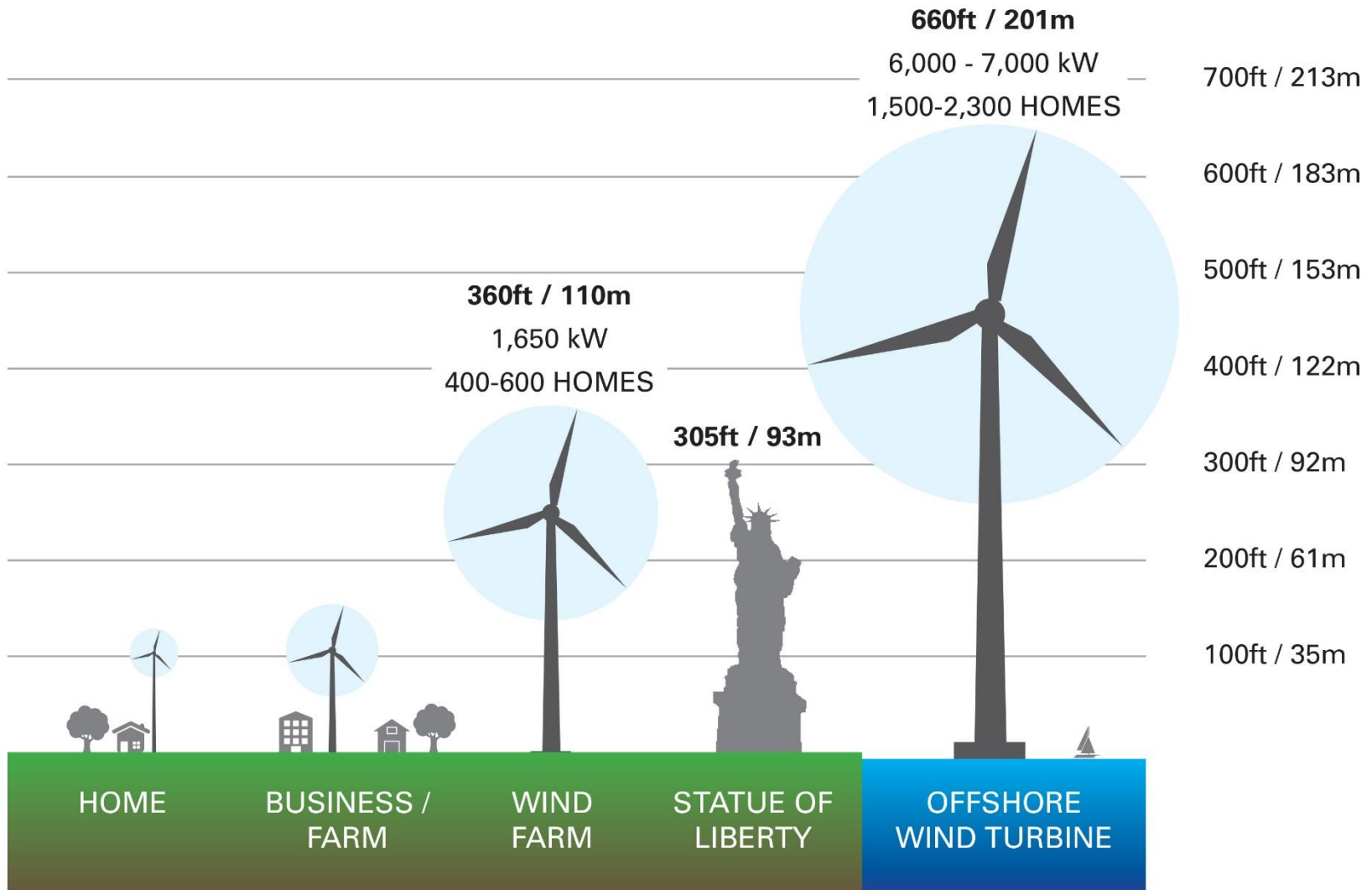
\* Source: MAKE Global Wind Power Q3-2017



## ❑ Development by 2020:

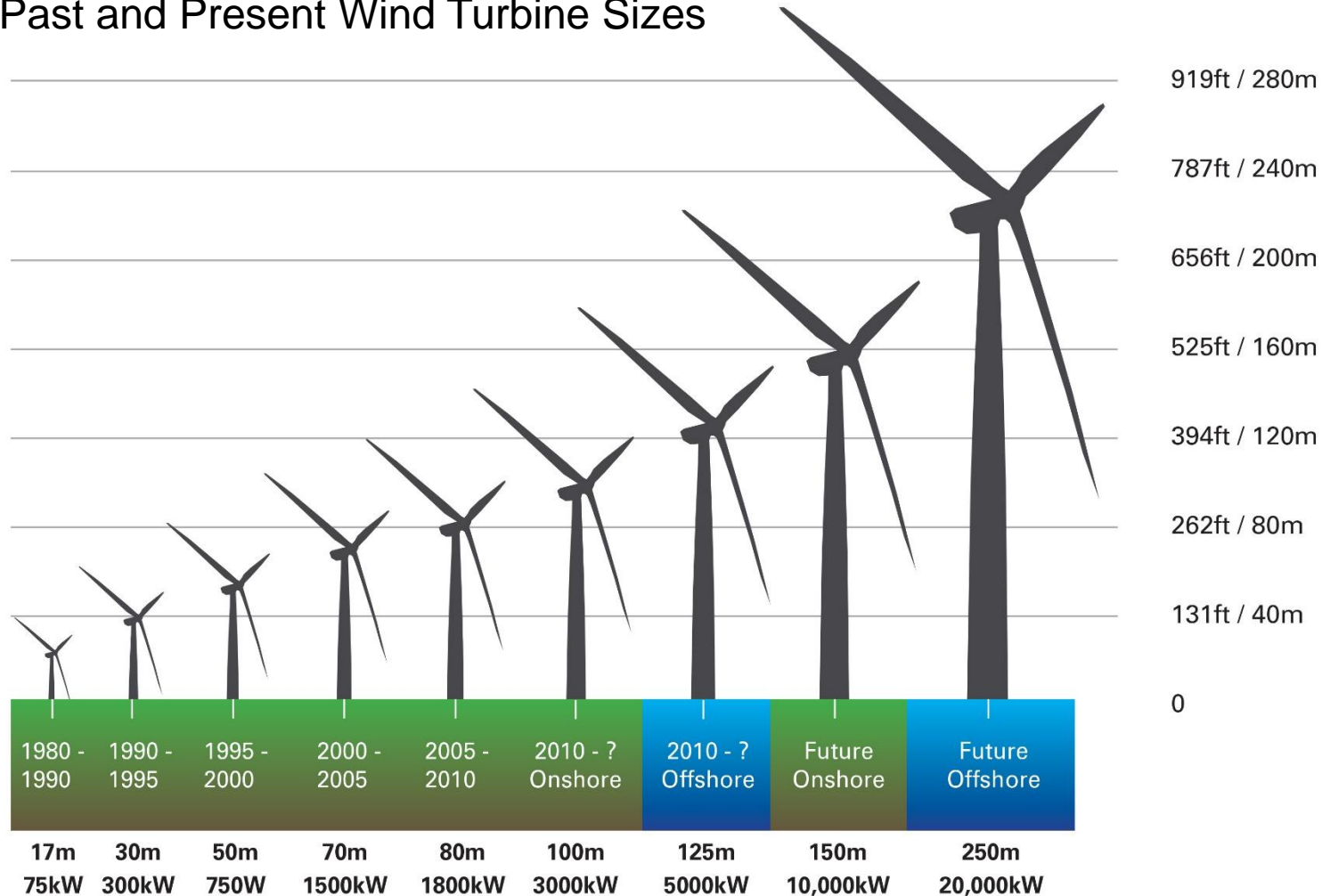
- Auctions drive **price/kWh** below non-renewable benchmark of 4ct/kWh
- Further **20-30% cost-out challenge** for the industry by ca. 2020: bigger turbines (4MW+ onshore, 6MW+ offshore) and cost-out exercises along the entire value chain
- Industry has chance for strong “**un-subsidized**” **volume growth** once this efficiency level is met by 2020+, even with PTC expiring in the US

# Wind Energy – Turbine Size: The Key Performance Increase Factor



# Wind Energy – Turbine Size: The Key Performance Increase Factor

## Past and Present Wind Turbine Sizes



ROTOR DIAMETER (m) / WIND TURBINE (kW)

## Results & Achievements FY 2017

**Net Sales:** CHF 128.2m (FY 2016: 149.0m)

- Decline by 13.9%; volume and price drop
- India: halt for  $\frac{3}{4}$  of CY 2017 – auctions introduced
- CN: marked compression in 2017

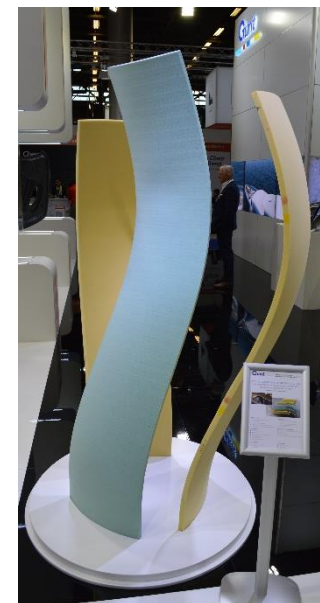
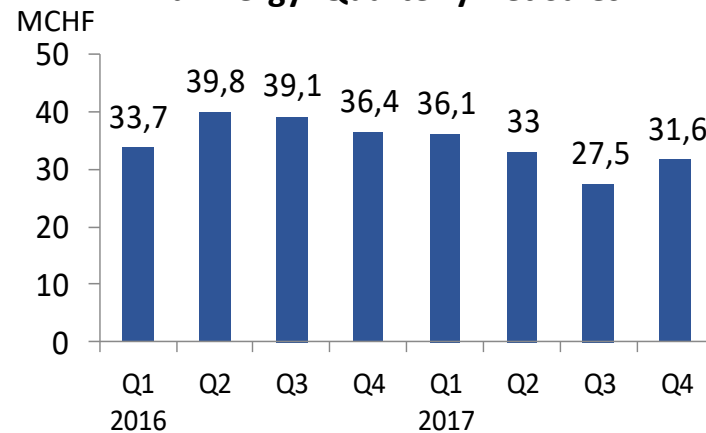
## Key Business Steps 2017:

- Balsa Production JV in Indonesia founded
- Green PET developed with USP
- Balsa low resin uptake product developed
- Prepreg factory consolidation into 1 site in Spain started

## Business Focus 2018

- Coated Balsa/Green PET – core for future introduction
- Volume growth India, market share growth PET/Balsa
- Innovation for cost out (PET, Pregreg, Formulated) and future property improvement

Wind Energy: Quarterly Net Sales



## Results & Achievements FY 2017

**Net Sales:** CHF 91.8m (FY 2016: CHF 69.0m)

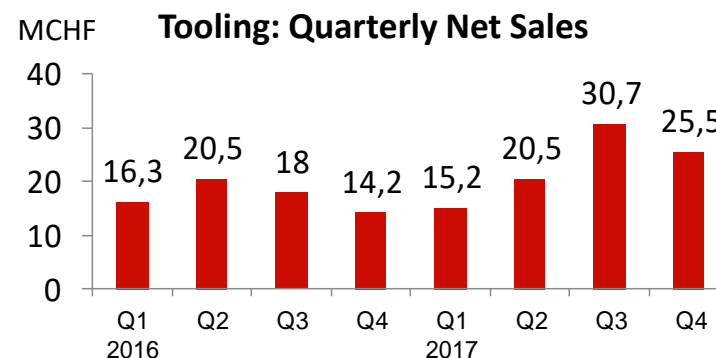
- Increase by 33.1% (currency-adjusted: 35.5%)
- New major global customer win helps growth
- Offshore maxi blade demand in China strong

## Key Business Steps 2017:

- Capacity expansion – new bay built
- PH Windsolutions acquisition
- Mineral Casting – new business started

## Business Focus 2018

- Win 2 more global wind customers
- PH Windsolution integration into Tooling
- Maxi blade mould market share growth
- Offering expansion: Transport devices development





# Tooling – Taicang Plant



Gurit Tooling Campus Taicang

New 150x56m hall  
= 8400m<sup>2</sup>



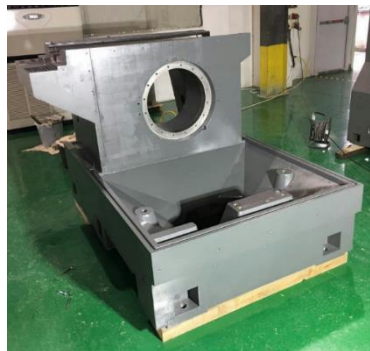


# Tooling – Global Footprint & Mineral Casting

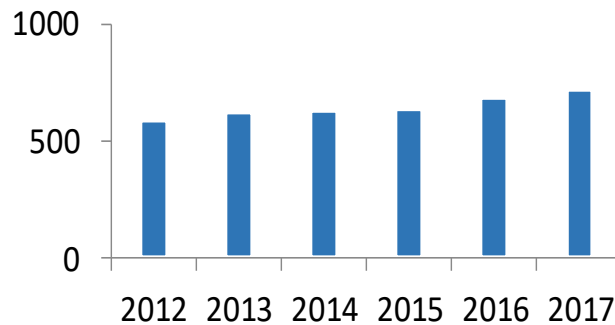


Gurit Tooling Global Footprint

Composite Mineral  
Casting machine beds

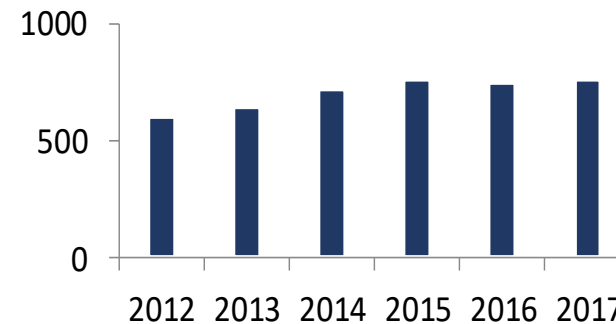


**Airbus Commercial Aircraft Units Deliveries\***



\* Source: Airbus

**Boeing Commercial Aircraft Units Deliveries\*\***



\*\* Source: Boeing

- ☐ ICAO expects **number of passengers globally to grow from 3.8 billion in 2016 to about 10 billion by 2040**
- ☐ **Commercial aerospace market** expected to continue to grow at a CAGR of 4.6% to 2020 according to DTTL / Deloitte Global
- ☐ **Use of advanced composite materials per aircraft increasing steadily**

## Results & Achievements FY 2017

**Net Sales:** CHF 47.0m (FY 2016: 47.6m)

- Slight decrease due to supply chain issues (engine delivery) at European OEM in Q4
- A380 build rate impact

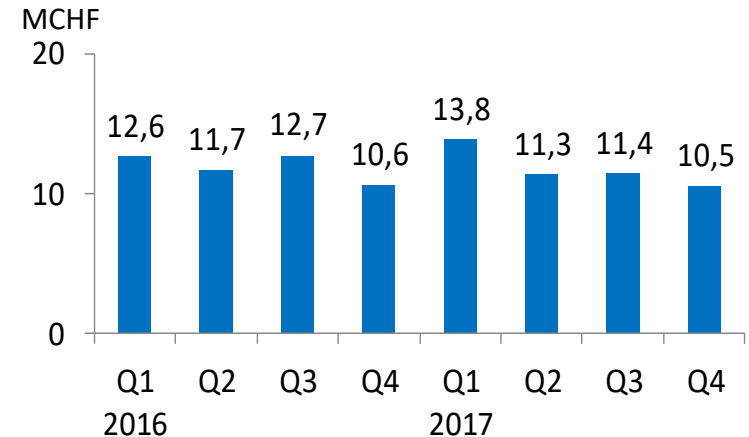
## Key Business Steps 2017:

- Qualification with US OEM completed
- Started seat material qualification
- Innovation programs for industrialized prepregs to create faster customer parts production.
- Kassel site building/set-up improvements

## Business Focus 2018

- Complete set-up of supply chain for US market
- Qualification with further EU customers
- Further enhancement and broadening of product offering – low heat release epoxy development

**Aerospace: Quarterly Net Sales**





- ❑ Marine superyacht and leisure segments with good demand in 2017; markets projected to continue to grow on a moderate single digit level
- ❑ Middle Eastern composite construction industry hit by the Saudi cash shortage causing project halts; market expected to resume and diversify further into new projects 2018+
- ❑ Overall, use of advanced composites is entering more and more applications and market segments – e.g. agricultural equipment structures, structural lightweight sandwich structures

## Results & Achievements FY 2017

**Net sales:** CHF 71.1m (FY 2016: CHF 69.0m)

- Increase by 3.1% (currency-adjusted: +4.6%) mainly due to slight growth in marine industry
- ME construction market demand halt (ca. - 8% impact vs PY)
- Industrial sales growth counterbalancing ME decline

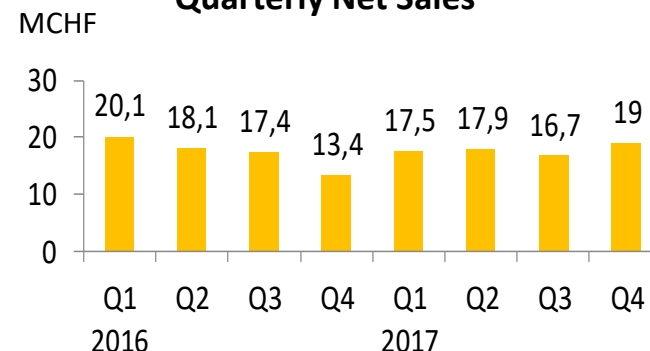
## Key Business Steps 2017

- Stronger presence in superyacht and race boat market (engineering and material)
- Core material finishing partnership in Europe enabling stronger customer service/sales – we grow
- Innovation effort for new product launches 2018: property, cost and H&S improvements

## Business Focus 2018

- New product launches
- Push industrial applications with core and prepreg material range (sandwich panels, lightweight equipment, non-leisure marine )

**Other Material Markets:  
Quarterly Net Sales**





- ❑ Sustainability policies and **stricter emission targets** drive need to reduce fuel consumption which can be easiest achieved through weight reduction
- ❑ **Electrification** drives need to reduce car body weight fostering use of lightweight technologies
- ❑ **Use of advanced composite materials for weight reduction and design purposes is continuously increasing** on a moderate level, in particular in the super-premium and premium segments

## Results & Achievements FY 2017

**Net sales:** CHF 22.3m (FY 2016: 17.4m)

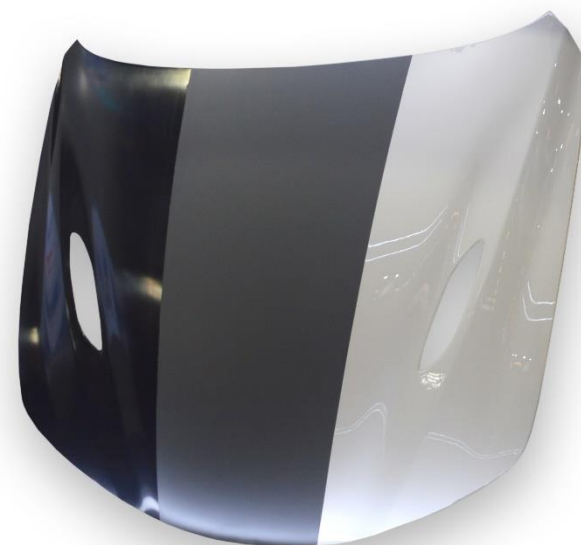
- Strong sales and strong order intake

### Operations:

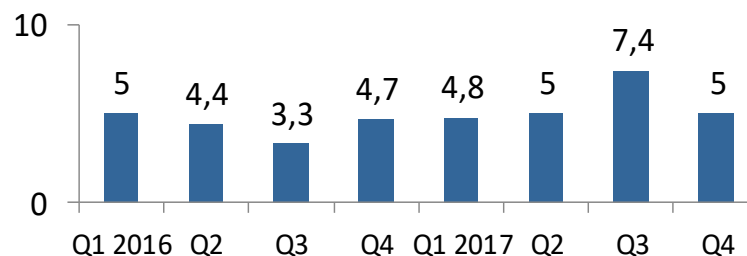
- Industrialisation CAPEX started to implement
- Development of low cost materials for cost out
- Improved financial result to EBITDA B/E

## Focus 2018

- Maintain strong project and order pipeline
- Complete industrialization of Hungarian production site



MCHF **Composite Components: Quarterly Net Sales**





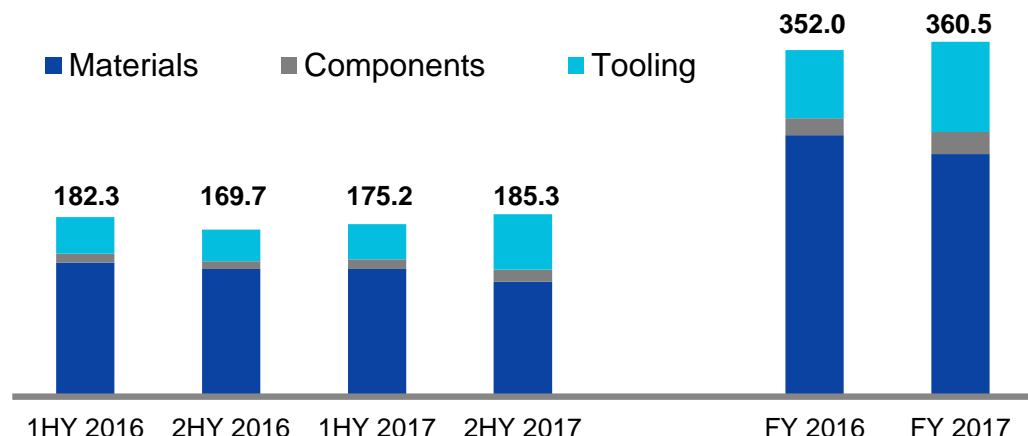
# Financial Results FY 2017





# Net Sales Analysis by Markets

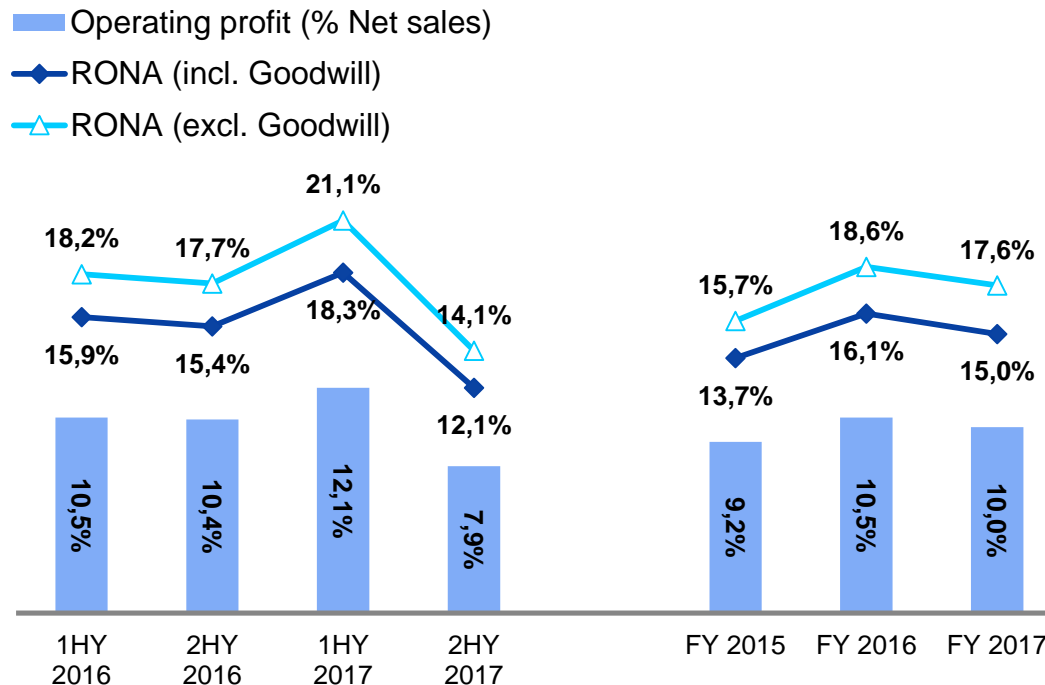
## Net sales in MCHF



- **Overall** currency-adjusted growth of 3.1% in net sales
- **Composite Materials** hampered by lower wind energy capacity additions
- **Composite Components** on growth track
- **Tooling** reports yet another record year

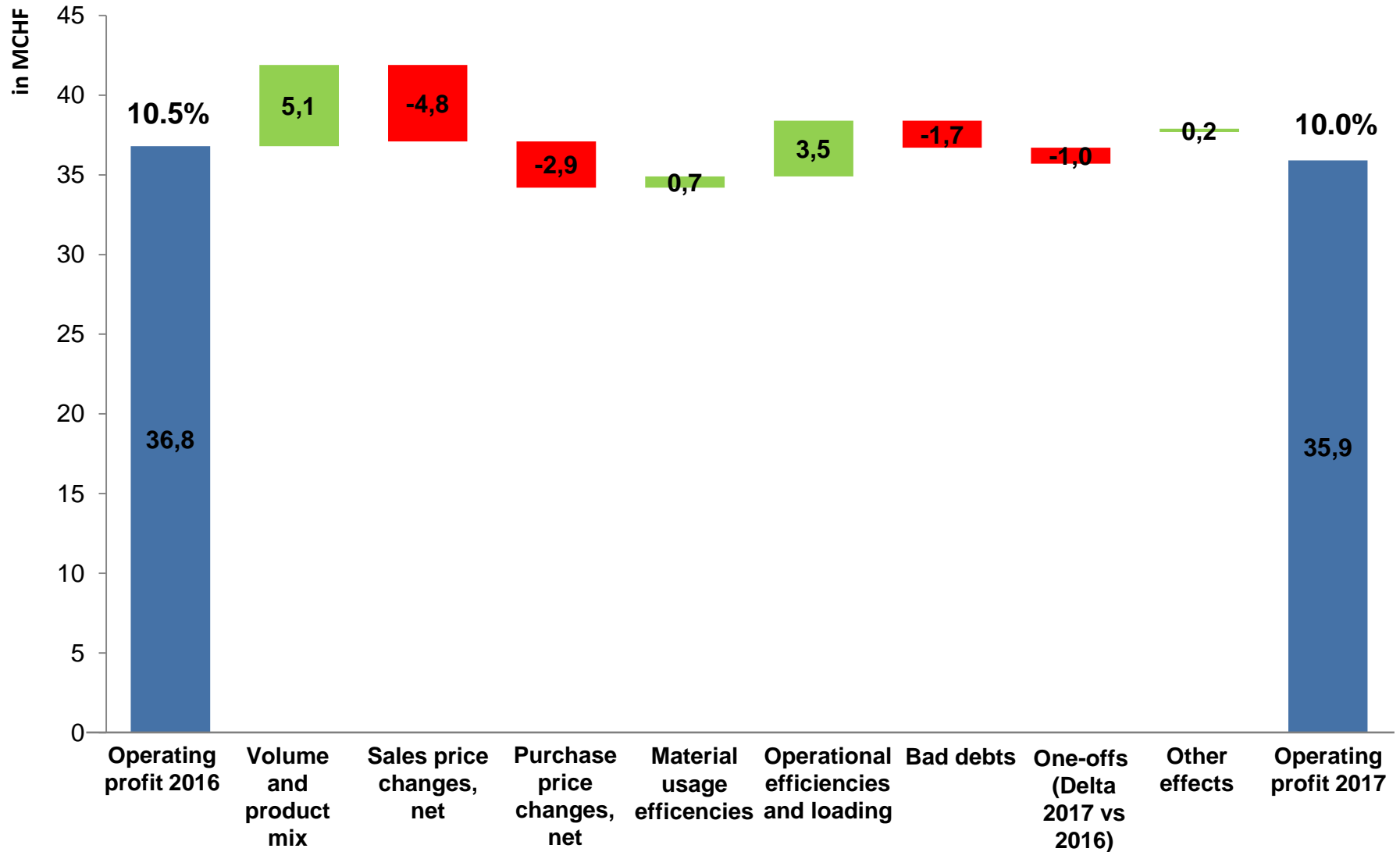
Net sales by markets in MCHF	2017	2016	Δ 2017 vs 2016	Δ 2017 vs 2016 FX adj.
Wind Energy	128.2	149.0	-13.9%	-13.8%
Other Material Markets	118.2	116.6	1.3%	1.8%
Composite Materials	246.4	265.6	-7.2%	-7.0%
Composite Components	22.3	17.4	28.3%	31.5%
Tooling	91.8	69.0	33.1%	35.5%
<b>Total Net Sales</b>	<b>360.5</b>	<b>352.0</b>	<b>2.4%</b>	<b>3.1%</b>

# Operating Profit and RONA Development

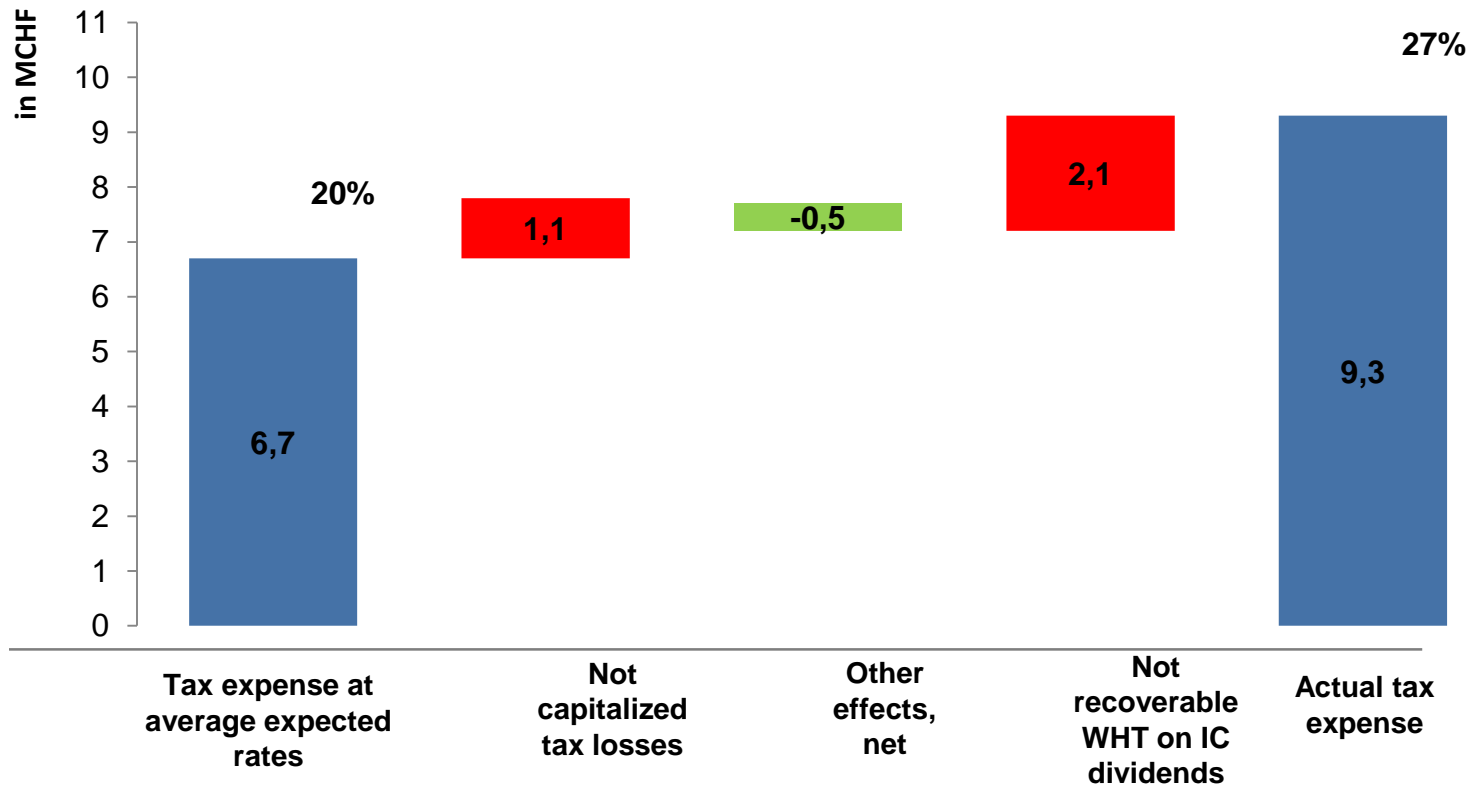


- **FY Operating profit at 10.0%**, delivering on the profitability target for the third consecutive year
- **2HY 2017 impacted by:**
  - One-off items
  - Bad debts provision increases
  - Demand pause from Indian Wind Market
  - Higher raw material cost
- **RONA** slightly decreased due to higher asset basis (Fixed assets and Net Working Capital)

# Operating Profit Bridge FY 2016 to FY 2017



# Income Tax Expense



- Income tax expenses burdened by unfavorable effects from not capitalized tax losses and not recoverable taxes on intercompany dividends.

Consolidated Income Statement	2017		2016		Variance	
	MCHF	% NS	MCHF	% NS	MCHF	%-pts
<b>Net sales</b>	<b>360.5</b>	<b>100.0%</b>	<b>352.0</b>	<b>100.0%</b>	<b>8.5</b>	<b>0.0%</b>
Cost of goods sold	-271.6	-75.3%	-264.4	-75.1%	-7.3	-0.2%
<b>Gross profit</b>	<b>88.9</b>	<b>24.7%</b>	<b>87.6</b>	<b>24.9%</b>	<b>1.3</b>	<b>-0.2%</b>
Research and development expense	-6.9	-1.9%	-6.9	-2.0%	0.0	0.1%
Selling expense	-16.6	-4.6%	-17.4	-4.9%	0.8	0.3%
Administrative expense	-23.5	-6.5%	-23.0	-6.5%	-0.4	0.0%
Other operating income and expense, net	-6.0	-1.7%	-3.4	-1.0%	-2.5	-0.7%
<b>Operating profit</b>	<b>35.9</b>	<b>10.0%</b>	<b>36.8</b>	<b>10.5%</b>	<b>-0.9</b>	<b>-0.5%</b>
Finance result	-1.7	-0.5%	-0.8	-0.2%	-0.9	-0.2%
Taxes	-9.3	-2.6%	-10.0	-2.8%	0.6	0.2%
<b>Profit for the year</b>	<b>24.9</b>	<b>6.9%</b>	<b>26.0</b>	<b>7.4%</b>	<b>-1.1</b>	<b>-0.5%</b>
<b>Earnings per bearer share</b>	<b>CHF</b>	<b>53.32</b>	<b>CHF</b>	<b>55.64</b>		
<b>Distribution per bearer share</b>	<b>CHF</b>	<b>20.00</b>	<b>CHF</b>	<b>20.00</b>		

- Stable Operating profit margin and Net result
- Distribution per bearer share stable at CHF 20.00.

# Balance Sheet

Consolidated Assets	Dec 2017		Dec 2016		Variance	
	MCHF	%	MCHF	%	MCHF	%-pts
Cash and cash equivalents	44.6	15%	38.6	16%	5.9	0%
Trade receivables	72.9	25%	61.3	25%	11.6	1%
Inventories	61.0	21%	46.2	19%	14.8	2%
Other current assets	22.7	8%	20.5	8%	2.2	0%
Deferred income tax assets	4.0	1%	2.9	1%	1.0	0%
Property, plant and equipment	76.4	26%	73.0	29%	3.4	-3%
Intangible assets	6.3	2%	5.8	2%	0.5	0%
Other non-current assets	2.1	1%	0.8	0%	1.3	0%
<b>TOTAL ASSETS</b>	<b>289.9</b>	<b>100%</b>	<b>249.1</b>	<b>100%</b>	<b>40.8</b>	<b>0%</b>

Consolidated Liabilities and Equity	Dec 2017		Dec 2016		Variance	
	MCHF	%	MCHF	%	MCHF	%-pts
Borrowings	11.9	4%	1.4	1%	10.4	4%
Trade payables	31.9	11%	22.7	9%	9.1	2%
Other current liabilities	31.8	11%	29.3	12%	2.4	-1%
Deferred income tax liabilities	4.7	2%	2.6	1%	2.2	1%
Provisions	3.5	1%	2.1	1%	1.4	0%
Other non-current liabilities	0.0	0%	0.1	0%	-0.1	0%
Equity	206.1	71%	190.8	77%	15.3	-5%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>289.9</b>	<b>100%</b>	<b>249.1</b>	<b>100%</b>	<b>40.8</b>	<b>0%</b>

- Trade working capital temporarily increased to 28% of net sales (2016 year-end: 24%)
- Solid balance sheet: Net cash of CHF 33m, Equity ratio of 71% and Quick Ratio of 180%

Consolidated Cash Flow	2017	2016	Variance
	MCHF	MCHF	MCHF
<b>EBIT</b>	35.9	36.8	-0.9
Depreciation, amortisation, impairment	10.8	11.7	-0.9
Change in working capital	-9.1	0.8	-9.9
Other cash flow from operating activities	-7.0	-11.4	4.4
<b>Net cash flows from operating activities</b>	<b>30.6</b>	<b>37.9</b>	<b>-7.3</b>
Purchase of PPE and Intangibles	-11.7	-10.5	-1.2
Proceeds from sale of PPE	0.1	0.1	0.0
<b>Free Cash Flow</b>	<b>18.9</b>	<b>27.5</b>	<b>-8.6</b>
Business acquisition	-12.6	-1.8	-10.9
Loans granted, net of repayments	-1.4	-0.4	-1.0
Change in borrowings	10.3	-7.9	18.2
Distribution to shareholders	-9.3	-7.0	-2.3
Purchase of treasury shares	-0.9	-0.6	-0.3
<b>Change in Cash and cash equivalents</b>	<b>5.0</b>	<b>9.8</b>	<b>-4.9</b>

- Operating cash flow burdened by temporary increase of working capital
- Capital investments mainly relate to capacity increases in Tooling, PET and automotive body panels production
- Business acquisition relates to the acquisition of the business of PH Windsolutions
- Borrowings increased to fund the business acquisition

# Financial Results FY 2017

## Conclusion





- **Net Sales**
  - Low single-digit revenue growth expected for FY 2018
- **Operating Profitability**
  - Score again at the upper end of the target range of 8-10% operating profit margin for FY 2018



# Questions?

