

Gurit 1HY 2017 Results

Zurich, August 18, 2017



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Gurit Strategy 2021



- ❑ **Sales Growth Ambition by 2021 at ca. CHF 500 million**
 - Organic – ca. CHF 450 million
 - Acquisitive – target CHF 50 million
- ❑ **Operating Profitability Ambition by 2021 is to maintain 8-10% RoS**
- ❑ **Key Markets for Gurit Advanced Composites**
 - Wind, Aerospace and Automotive – 3 key strategic growth markets
 - Marine and Industrial – 2 key niche markets
- ❑ **Shareholder Dividend Pay-out Ratio**
 - Pay-out ratio of 30-40% of NIAT per annum



☐ **Product Range:**

- Integration of Volpiano PET business
- Licensing agreement for patented Armacell recycled PET technology
- JV for balsa wood production in Asia-Pacific
- Renewal of distribution agreement for Maricell PVC

☐ **Aero:** Additional OEM material qualification completed

☐ **Tooling:**

- Acquisition of PH Windsolutions (wind & aero automation solutions)
- Set-up of another larger production hall in Taicang, China
- Winning of a new major wind OEM

☐ **Automotive Components:** growth effect from new contract wins setting in



Gurit 1HY 2017 Business Update



❑ Profitability & Growth:

- Operating profit margin at 12% of net sales for 1HY 2017
- Slight dip in net sales due to challenging market environment
- Wind market decline in India, other regions fair and in line with expectations
- Aero business growing single-digit ahead of additional OEM qualification
- Marine and Industrial EMEA hurt by ongoing weak demand
- Tooling above expectations with slight growth over 2016 record year

❑ M&A:

- PH Windsolutions strengthens Tooling offering and provides for new opportunities in the aerospace automation market



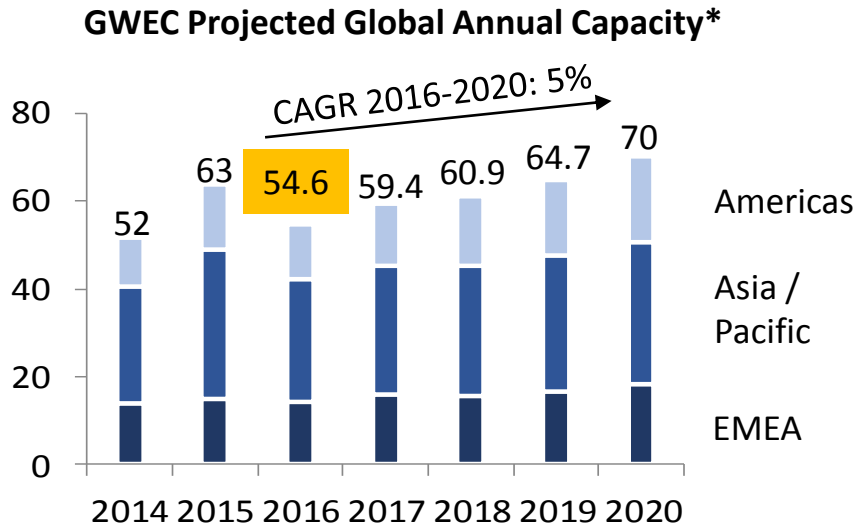
Key Financial Notes 1HY 2017

- ❑ **Net Sales:** -0.5% (-3.9% in reported CHF) to CHF 175m (1HY 2016: CHF 182m)
- ❑ **Op. Profit and RoS:** **CHF 21.2m** (1HY 2016: CHF 19.1m) and **12.1%** operating profit margin (1HY 2016: 10.5%)
- ❑ **Net Profit** of CHF 15.3m (1HY 2016: CHF 14.1m)
- ❑ **Equity Ratio** solid at 77.5% (1HY 2016: 72.9%)
- ❑ **Investment** lower in 1HY 2017:
 - **Capex of CHF 4.0m** (1HY 2016: CHF 7.5m): mainly Tooling and production equipment replacement & upgrading

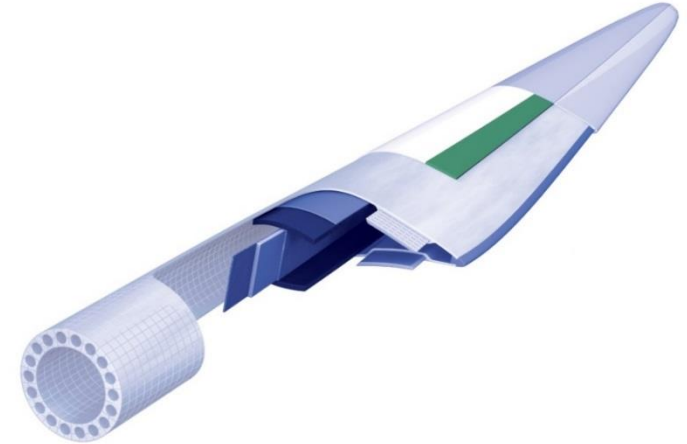


Development by Key Markets





* Source: GWEC Global Wind Statistics February 10, 2017



- GWEC Outlook revised after 2016 drop in newly installed capacity
- India much weaker as of Q2-2017, recovery expected for Q4-2017
- **Low single digit growth expected for 2017**, Gurit estimation for newly installed wind capacity globally for FY 2017 remains at some 57 GW

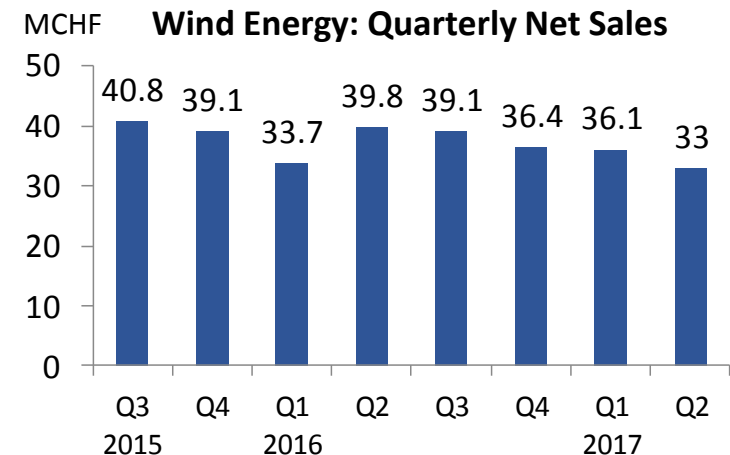
Results & Achievements 1HY 2017

- **Net sales:** CHF 69.1m (1HY 2016: CHF 73.5m)
- Decline by -3% (currency-adjusted) due to weaker Asian market; Europe and North America at a fair level but not able to compensate the shortfall in Asia (India)
- **Operations:** Balsa JV in Indonesia signed to secure sourcing from the Asian-Pacific region



Focus 2HY 2017:

- Set up new Balsa capacity
- Win additional PET business
- Win additional Balsa business



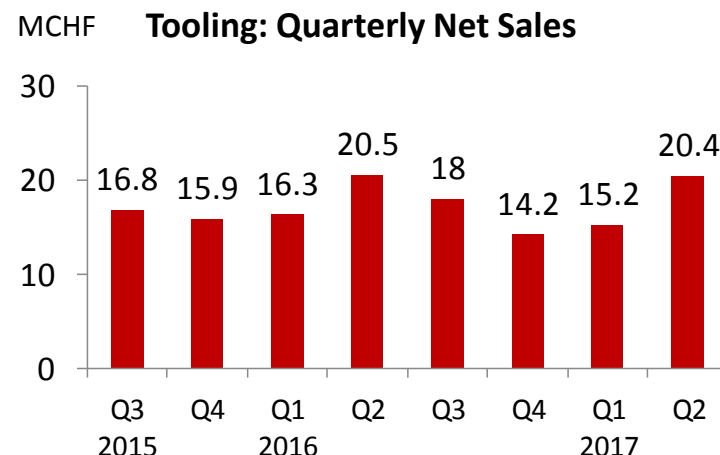
Results & Achievements 1HY 2017

- **Net sales:** CHF 35.6m (1HY 2016: CHF 36.8m)
- Increase by 0.5% (currency-adjusted) over 2016 record year level, mainly due to multi megawatt demand in China
- **Operations:** Factory expansion in Taicang, China

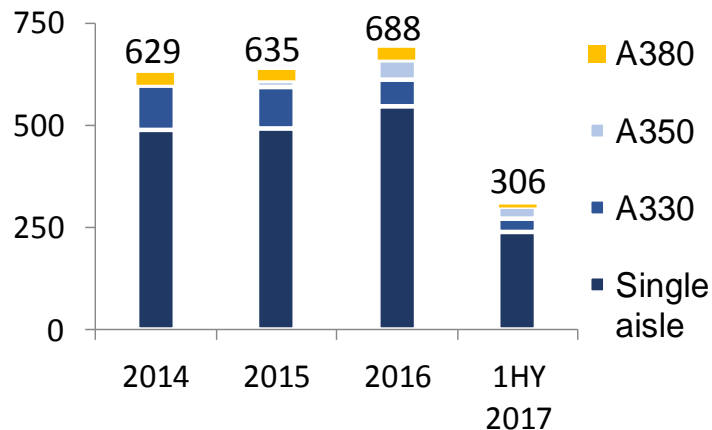


Focus 2HY 2017:

- Stronger 2HY 2017 expected
- Finalize integration of PH Windsolutions
- Gain additional mould orders for the European production site
- Win another new major European-based client for 2018



Aircraft Deliveries by Type*



* Source: Airbus Order Book



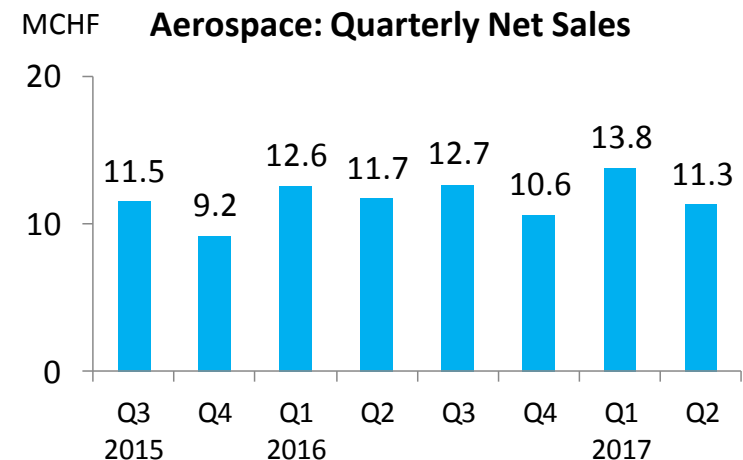
- **Commercial aerospace market** expected to continue to grow at a CAGR of 4.6% to 2020 according to DTTL / Deloitte Global
- **Combined Airbus & Boeing order books** show backlog of >12.000 aircraft, equivalent to 8-9 years of production

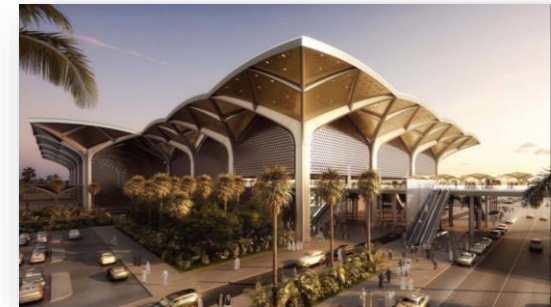
Results & Achievements 1HY 2017

- **Net sales:** CHF 25.1m (1HY 2016: CHF 24.3m)
- Increase by 3.3% due to stronger build rates and demand situation in Europe
- **Operations:** Material qualification for another global aerospace OEM achieved
- **New product development** with better price/performance ratio bearing fruit in Europe

Focus 2HY 2017:

- Set up supply chain for new OEM program, achieve first smaller revenue contributions
- Further enhance and broaden product offering





Market demand

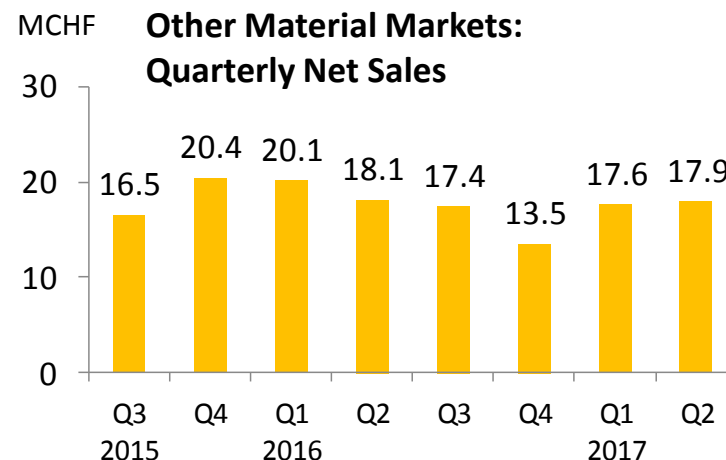
- European **Marine** luxury and leisure markets show continued low build rates.
- **Automotive** material qualifications positive, market growth yet still low.
- **Other material markets** (construction and industrial): project-driven business hit by ongoing liquidity crunch in the MEA region

Results & Achievements 1HY 2017

- **Net sales:** CHF 35.5m (1HY 2016: CHF 38.2m)
- Decrease by -7.1% due to continued hesitant order situation in the European marine sector as well as a lack of large builds in industrial markets due to end customer situation in MEA
- Automotive materials with slight single-digit growth, yet on a low overall level

Focus 2HY 2017:

- **Automotive materials:** keep pushing for new customers and projects
- **Marine & Industrial:** no sign of fundamental market growth
- Continued market development and support activities for new material markets
- Further enhancement and broadening of product offering



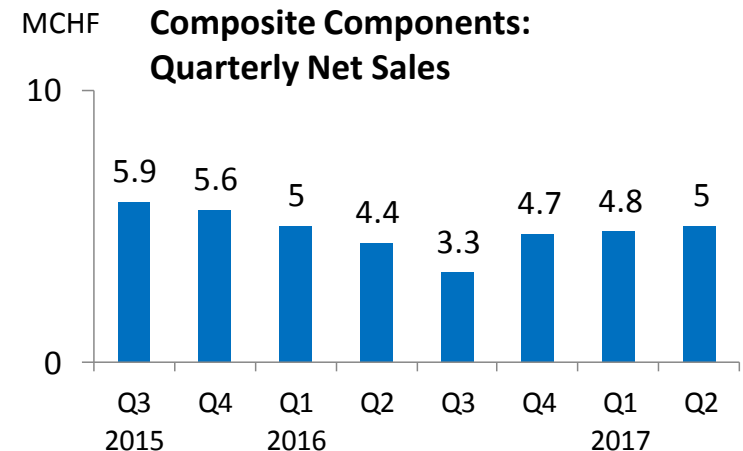
Results & Achievements 1HY 2017

- **Net sales:** CHF 9.8m (1HY 2016: CHF 9.4m)
- Increase of 14.8% (currency-adjusted) as a result of newly won business
- **Operations:** Ramp up for additional series production programs

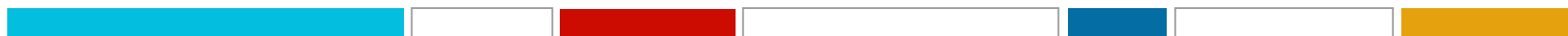


Focus 2HY 2017:

- Participate in increased bidding activities and win further orders
- Further deploy industrialization of production process (until mid-2018)
- Deploy new material ranges to lower cost per component

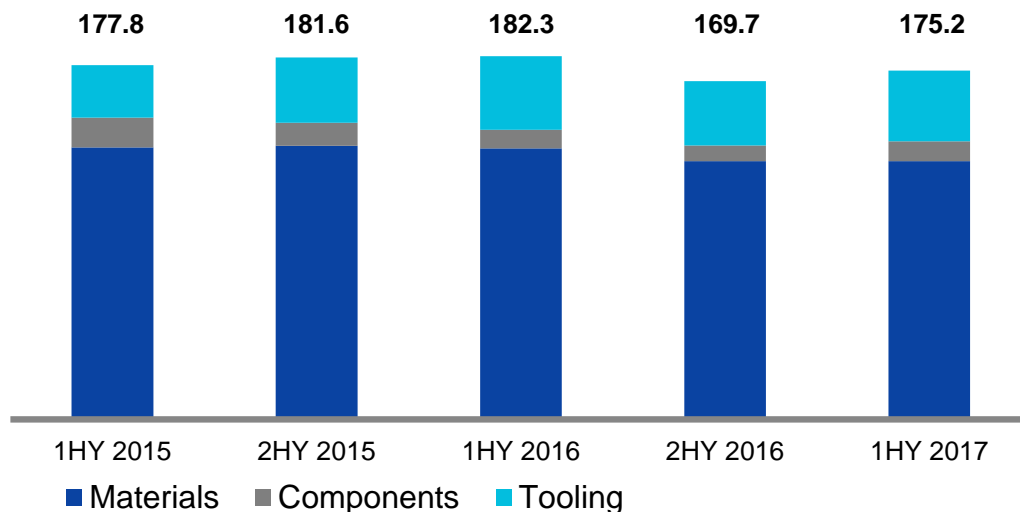


Financial Results 1HY 2017



Net Sales Analysis by Markets

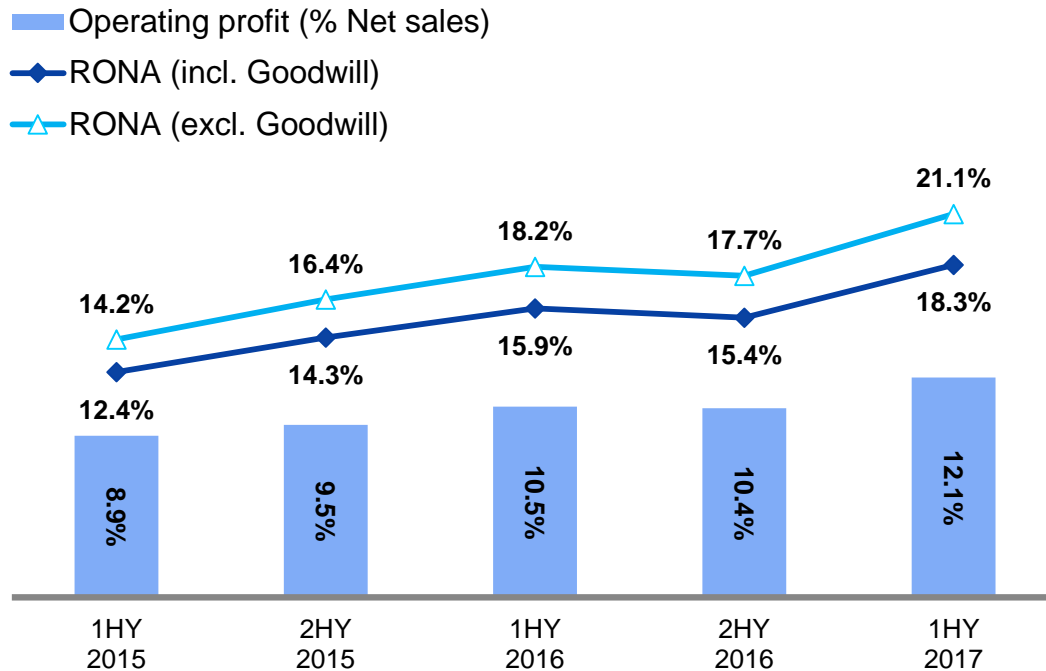
Net sales in MCHF



- **Overall slight net sales** reduction mainly from Composite Materials mainly due to soften Asian wind energy demand
- **Composite Materials** presented with mixed market conditions
- **Composite Components** back on growth track
- **Tooling** on target

Net sales in MCHF	1HY 2017	1HY 2016	Δ 1HY 2017 vs 1HY 2016	Δ 1HY 2017 vs 1HY 2016 FX adj.
Wind Energy	69.1	73.5	-5.9%	-3.0%
Other Material markets	60.6	62.5	-3.1%	-0.4%
Composite Materials	129.7	136.0	-4.6%	-1.8%
Composite Components	9.8	9.4	4.3%	14.8%
Tooling	35.6	36.8	-3.3%	0.5%
Total Net Sales	175.2	182.3	-3.9%	-0.5%

Operating Profit and EBIT Development

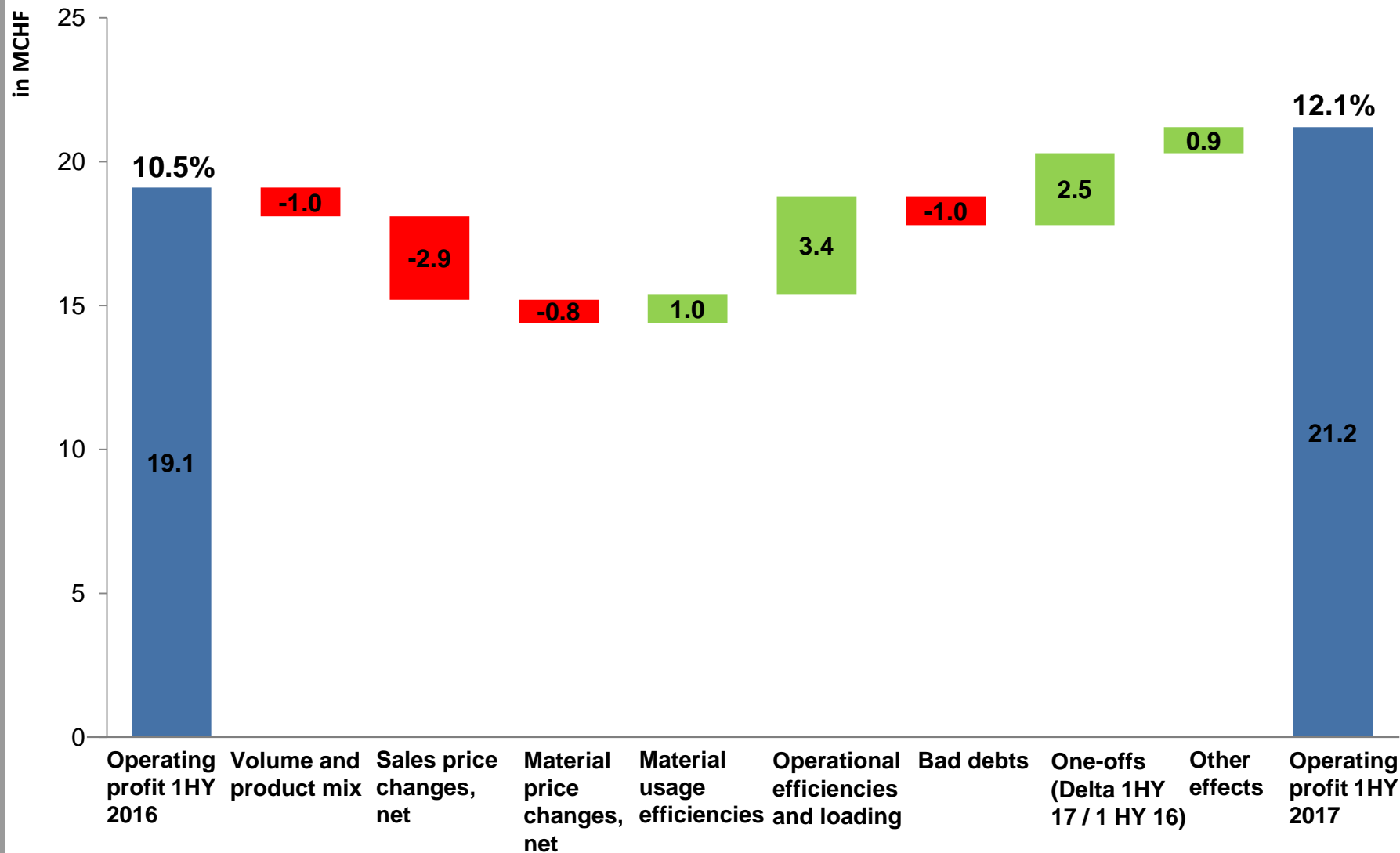


- Operating profit at **12.1% above** medium term target of 8 - 10% of net sales.

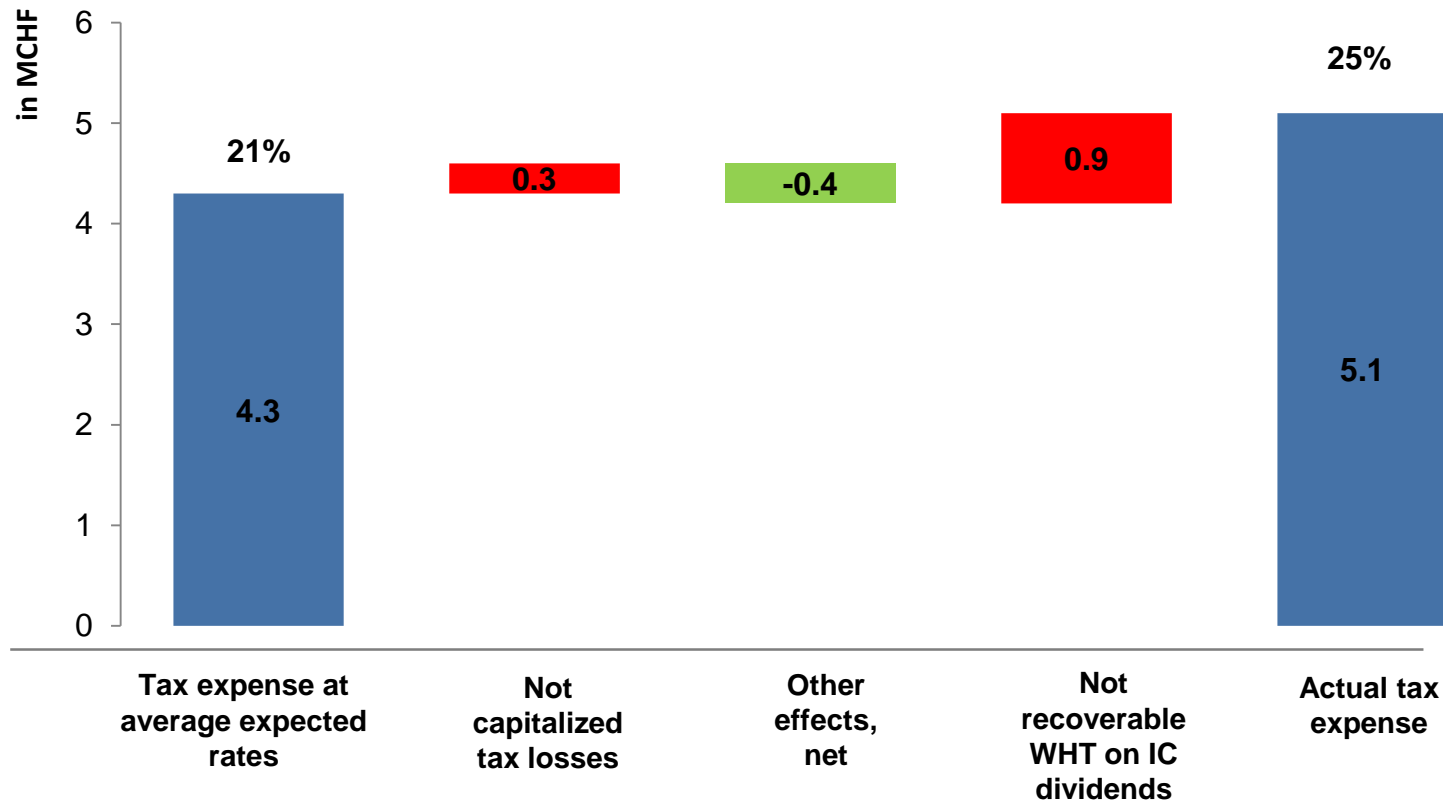
Main positive drivers:

- Favorable business line and product mix
 - Marked improvement in Composite Components earnings
 - Operational efficiency improvements
-
- Positive **RONA** trend continued based on increased operating profit on a stable asset basis

Operating Profit Bridge 1HY 2016 to 1HY 2017



Income Tax Expenses



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

Consolidated P&L	1HY 2017		1HY 2016		Variance	
	MCHF	% NS	MCHF	% NS	MCHF	%-pts
Net sales	175.2	100.0%	182.3	100.0%	-7.1	0.0%
Gross margin	92.7	52.9%	94.0	51.6%	-1.3	1.3%
Personnel expenses	-40.4	-23.1%	-42.2	-23.1%	1.8	0.1%
Other expenses	-31.1	-17.7%	-30.2	-16.6%	-0.8	-1.2%
Operating profit before one-offs	21.2	12.1%	21.6	11.8%	-0.4	0.3%
One-off items	0.0	0.0%	-2.5	-1.4%	2.5	1.4%
Operating profit	21.2	12.1%	19.1	10.5%	2.1	1.6%
Financial & exchange result	-0.8	-0.4%	-0.4	-0.2%	-0.4	-0.2%
Taxes	-5.1	-2.9%	-4.6	-2.5%	-0.5	-0.4%
Net result	15.3	8.7%	14.1	7.7%	1.2	1.0%
Earnings per bearer share	CHF 32.78		CHF 30.16			

- Improved Operating profit margin and Net result mainly driven by favorable Gross Margin in % of Net Sales and overall reduced personnel expenses.
- Earnings per bearer share increased by **8.7%**.

Balance Sheet

Consolidated Assets	Jun 2017		Dec 2016		Variance	
	MCHF	%	MCHF	%	MCHF	%
Cash and cash equivalents	32.9	13%	38.6	16%	-5.7	-2%
Trade receivables	64.2	26%	61.3	25%	2.9	1%
Inventories	51.6	21%	46.2	19%	5.4	2%
Other current assets	20.9	8%	20.5	8%	0.4	0%
Deferred income tax assets	2.6	1%	2.9	1%	-0.3	0%
Property, plant and equipment	70.2	28%	73.0	29%	-2.7	-1%
Intangible assets	5.8	2%	5.8	2%	0.0	0%
Other non-current assets	1.1	0%	0.8	0%	0.2	0%
TOTAL ASSETS	249.3	100%	249.1	100%	0.2	0%

Consolidated Liabilities and Equity	Jun 2017		Dec 2016		Variance	
	MCHF	%	MCHF	%	MCHF	%
Borrowings	0.2	0%	1.4	1%	-1.2	0%
Trade payables	25.0	10%	22.7	9%	2.3	1%
Other current liabilities	25.8	10%	29.3	12%	-3.5	-1%
Deferred income tax liabilities	3.3	1%	2.6	1%	0.8	0%
Provisions	1.7	1%	2.1	1%	-0.4	0%
Other non-current liabilities	0.0	0%	0.1	0%	-0.1	0%
Equity	193.2	77%	190.8	77%	2.4	1%
TOTAL LIABILITIES AND EQUITY	249.3	100%	249.1	100%	0.2	0%

- Trade working capital remains at 26% of annualized net sales (2016 year-end: 24%)
- Solid balance sheet: Net cash of CHF 33m, Equity ratio of 77.5% and Quick Ratio of 227%

Consolidated Cash Flow	1HY 2017	1HY 2016	Change
	MCHF	MCHF	MCHF
EBIT	21.2	19.1	2.1
Depreciation, amortisation, impairment	5.0	7.0	-2.0
Change in working capital	-11.4	-7.3	-4.1
Other cash flow from operating activities	-3.7	-6.2	2.5
Net cash flows from operating activities	11.1	12.6	-1.5
Purchase of PPE and Intangibles	-4.0	-7.5	3.5
Proceeds from sale of PPE	0.1	0.0	0.0
Free Cash flow	7.1	5.1	2.0
Change in borrowings	-1.2	-5.1	3.9
Distribution to shareholders	-9.3	-7.0	-2.3
Loans granted, net of repayments	-0.3	-0.4	0.1
Purchase of treasury shares	-0.9	-0.6	-0.3
CHANGE IN CASH AND CASH EQUIVALENTS	-4.7	-8.0	3.4

- Free cash flow improved by MCHF 2 compared to prior half year
- Low capital expenditures in 1HY 2017, with an anticipated increase in 2HY
- Further reduction of borrowings

Financial Results 1HY 2017

Conclusion



- **Net Sales**

- Low single-digit level revenue growth expected for FY 2017 on assumption of wind India recovery in Q4-2017

- **Operating Profitability**

- Operating profit margin is expected to reach the upper end of the guided range of 8 to 10 percent of net sales, including an anticipated non-recurring one-time expense in the range of around 1% of annual operating profitability.



Questions & Answers

