Media release on financial year 2020 and Q1 2021

Phoenix Mecano financial year 2020: Group sales and cash flow maintained – Double-digit sales growth in Mechanical Components – Result impacted by one-off items – Upturn in incoming orders at end of year

Q1 2021: Double-digit growth in sales and incoming orders – Disproportionate increase in operating result – Challenges in logistics chains and rising raw material prices

Kloten/Stein am Rhein, 21 April 2021. The Phoenix Mecano Group's consolidated gross sales increased by 1.1% in 2020, from EUR 680.0 million to EUR 687.4 million. In organic, local-currency terms, they were up by 0.6%. While the COVID-19 crisis hit sales in the Enclosures and ELCOM/EMS divisions, the Mechanical Components division achieved double-digit sales growth.

Operating result

The operating cash flow decreased slightly by 1.3% to EUR 48.2 million, compared with EUR 48.8 million the previous year. The operating result fell by 3.9% from EUR 23.4 million to EUR 22.4 million. This includes one-off expenses of EUR 8.0 million net from the 2019 performance enhancement programme, which was expanded in 2020, and the introduction of an employee participation plan, as well as preparations for the planned partial listing in Shanghai. Adjusted for these one-off items in 2020 and one-off expenses of EUR 16.2 million from the previous year, the operating result fell by 23.1% from EUR 39.5 million to EUR 30.4 million and the operating cash flow by 13.5% from EUR 62.1 million to EUR 53.7 million.

Result of the period

One-off items also had a negative impact on the financial result and the tax rate. Consequently, the result of the period declined by 36.2% from EUR 13.9 million to EUR 8.9 million. The net margin was 1.3%, down from 2.0% the previous year.

Equity ratio and net indebtedness

The offsetting of goodwill against equity in the context of acquisitions under Swiss GAAP FER resulted in a lower equity ratio of 35.3%. Net indebtedness at the end of 2020 was EUR 115.4 million (previous year EUR 88.1 million). The main reason for the increase was the acquisition of BEWATEC Kommunikationstechnik GmbH, which entailed an outflow of funds of EUR 21.2 million.

Division results

The **Enclosures** division recorded an 8.3% decline in gross sales to EUR 173.5 million. Organic, local-currency sales were down by 9.4%. Against the background of the drop in sales, the operating result fell by 11.5% to EUR 17.3 million. A slightly higher gross profit margin as well as short-term cost-cutting measures were unable to offset the decline in the division's operating performance. However, at 10.0%, the operating margin was only slightly below the previous year (10.3%).

Gross sales in the **Mechanical Components** division rose by 10.7% to EUR 399.2 million. In organic, local-currency terms, they were up by 10.2%. The division achieved an operating profit of EUR 13.1 million (up 14.3%). This result was impacted by one-off expenses of EUR 2.0 million from the performance enhancement programme, which was expanded in 2020, as well as EUR 3.8 million from preparations for the planned partial listing of the DewertOkin Technology Group. Excluding one-off items in 2019 and 2020, the division's operating result fell by 11.1% to EUR 18.9 million. Despite rapid measures to adjust capacity, volatile business development in the furniture segment and the double-digit decline in sales in the industrial components business led to this drop in earnings.

Gross sales in the **ELCOM/EMS** division fell by 11.8% to EUR 114.8 million. In organic, local-currency terms, they were down by 11.4%. Including one-off items of EUR 3.4 million from the expanded package of performance enhancement measures, the division made an operating loss of EUR 6.4 million, compared with a loss of EUR 4.7 million the previous year. Adjusted for one-off items, it recorded an operating loss of EUR 3.0 million, following an operating profit of EUR 1.5 million the previous year. The site concentration in North Africa and southern China led to increased ongoing expenses in the transition phase.

First quarter of 2021

The recovery in demand that began in the Phoenix Mecano Group's key core markets in the second half of 2020 continued in the first quarter of 2021. Rising prices for raw materials combined with delivery delays and reduced freight transport capacity led to increased pressure on supply chains and manufacturing costs.

The Phoenix Mecano Group's gross sales in Q1 2021 rose by 18.0% year-on-year, from EUR 162.5 million to EUR 191.8 million. In organic, local-currency terms, they were up by 20.3%.

Incoming orders climbed from EUR 171.8 million to EUR 211.8 million, an increase of 23.3%. Excluding currency translation and consolidation effects, incoming orders increased by 25.0%. The book-to-bill ratio has been high since the end of 2020 and stood at 110.5% in Q1 2021, suggesting that the positive sales trend will continue.

Operating result and result for the period under review

The higher sales and the performance enhancement programme completed in 2020 had a positive impact on the Q1 2021 operating result, which at EUR 10.5 million was 73.9% higher than the same quarter last year. The operating margin was 5.5% (previous year 3.7%). The result of the period was EUR 6.7 million, up from EUR 1.2 million in the same period in 2020.

Gross sales in the **DewertOkin Technology Group** (DOT Group) division were up 41.0% year-on-year at EUR 87.5 million (44.7% in organic, local-currency terms). In an environment characterised by rising raw material and freight costs, the operating result dropped to EUR 0.0 million, from EUR 1.7 million the previous year.

The reason for the temporary weakness in the DOT Group's profitability lies in a combination of sharply increased raw material prices, supply bottlenecks affecting essential electronic components, and the fact that transport capacity was scarce and therefore expensive. This resulted in higher variable costs. The division's managers took immediate countermeasures, focusing on price increases and alternative procurement sources. However, there will be a lag before they are reflected in the DOT Group's volume business. In addition, high outlays on the further development of hospital digitalisation solutions are impacting the current earnings situation. Thanks to the sustained dynamic growth, the outlook for the division remains positive.

Gross sales in the **Industrial Components** division totalled EUR 55.7 million in Q1 2021. Compared with the previous year, this was an increase of 5.8%, or 7.1% in organic, local-currency terms. The division generated an operating result of EUR 3.9 million, up from EUR 0.4 million the previous year.

In the Industrial Components division, the positive market trend that began in the fourth quarter of 2020 strengthened in Q1 2021. Having scaled back their inventories during the crisis, customers of the Automation Modules business area started placing long-term orders again in the first quarter, across all industries and regions. Electrotechnical components, rugged computing systems and high-precision current transformers also saw increased demand. Due to the strained supply situation on the plastic pellet market and increasing metal prices, selective price adjustments were also necessary in these business areas.

The **Enclosure Systems** division generated gross sales of EUR 48.6 million in the first quarter of 2021, up by 1.7% compared with the previous year (4.2% in organic, local-currency terms). Its operating result rose by 47.7% from EUR 4.9 million to EUR 7.2 million.

The Enclosure Systems division managed to further increase its incoming orders in Q1 2021 compared with a strong prior-year quarter. Demand is particularly high in electrical engineering, driven by trends such as the Internet of Things. Conversely, the global oil and gas business remains reluctant to invest. At the same time, supply chain challenges have increased. The sharp rise in incoming orders at major customers and suppliers in the largest market region, Europe, led to mounting pressure on international supply chains and longer replacement times, especially for HMI components from the Far East.

Outlook

Despite the ongoing uncertainties due to the COVID-19 pandemic, global purchasing managers' indices for the industrial sector have signalled strong growth since the beginning of 2021. The Phoenix Mecano Group is also feeling this trend.

As well as the upturn in the industrial economy, Phoenix Mecano is benefiting from long-term megatrends such as smart homes, digitalisation, the transition to renewable energy sources, industrial automation and workplace ergonomics, and it is consistently exploiting these opportunities.

The DOT Group supplies furniture manufacturers with complete drive systems for electrically adjustable office and comfort furniture, enclosures made by the Enclosure Systems division are used in electric vehicle charging stations, and Industrial Components division products measure and control the latest power grid infrastructure.

Notwithstanding current supply bottlenecks for electronic components and increased transport and raw material costs, the Phoenix Mecano Group continues to implement its strategic plans and is adhering to its operational goals for the current year. In addition to further organic growth, the focus is on a sustainable, gradual increase in profitability. Preparations for the planned partial listing of the DewertOkin Technology Group division are being taken forward.

In light of this outlook, Phoenix Mecano's management and Board of Directors remain cautiously optimistic for the year ahead. The Group confirms its forecast for 2021, anticipating an increase in sales compared with the previous year as well as a disproportionate improvement in profitability, with an operating result of around EUR 40 million.

Dividend

To preserve liquidity and support the Group's organic growth, the Board of Directors will propose to the Shareholders' General Meeting on 21 May 2021 a dividend of CHF 8 per share, compared with CHF 10 last year.

Link to the annual report 2020:
https://www.phoenix-mecano.com/en/investor-relations/annual-reports/annual-reports

Link to the annual accounts 2020 and current business Q1 2021:
https://www.phoenix-mecano.com/en/media/current-media-releases

About Phoenix Mecano

The Phoenix Mecano Group is a global player in the enclosures and industrial components segments and is a leader in many markets. Headquartered in Stein am Rhein, Switzerland, the Group employs around 7,500 people worldwide and generated sales of approximately EUR 687 million in 2020. It is geared towards the professional and cost-effective manufacture of niche products and system solutions for customers in the mechanical engineering, measurement and control technology, medical technology, aerospace technology, alternative energy and home and hospital care sectors. Phoenix Mecano was founded in 1975 and has been listed on the Swiss stock exchange since 1988.

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