

Press Release

August 09, 2019

Schweizer Electronic confirms figures for the first half year 2019

Schramberg, August 09, 2019 – The SCHWEIZER Group closed the accounts in the first half year 2019 with a turnover of 60.2 million euro (2018: 63.9 million euro). This is equivalent to a decline of 5.7 percent. The EBITDA (earnings before interest, taxes, depreciation and amortisation) amounted to 1.0 million euro (2018: 6.6 million euro), which corresponds to an EBITDA margin of 1.7 percent (2018: 10.3 percent). The EBIT (earnings before interest and taxes) amounted to -2.3 million euro (2018: 2.8 million euro) and corresponds to an EBIT margin of -3.8 percent.

In the first half year 2019 SCHWEIZER was strongly affected by the slowdown of the demand in the automotive as well as industry sectors, which had already started in the fourth quarter 2018. In the second quarter 2019 the turnover decline continued at a significantly slower pace reaching only -2.9 percent against previous year's quarter, while in the first quarter 2019 a difference of -8.5 percent was recorded compared to the first quarter 2018. The production site in Schramberg generated a turnover of 41.4 million euro, which corresponds to a decline of 24 percent against previous year's quarter. Thanks to nearly a doubling of the turnover from our Asian partner network, the decline could partly be compensated. Altogether, a total turnover of 18.8 million euro could be achieved with products from WUS Kunshan or Meiko Electronics China and Vietnam. As a consequence, their turnover share jumped from 15 percent to 31 percent, and we see further potential for growth here.

Despite restrained orders from our automotive customers, the turnover in this section increased by 2.7 million euro to 46.8 million euro, which is in particular due to a significant extension of business activities with two key account customers. Turnover with our industry customer and the other sectors amounted to 13.4 million euro. This corresponds to a decline of 6.4 million euro or 32 percent against previous year's period. Concerning the sales regions, slight shifts in favour of the Asian markets were visible. In total, 78 percent of the turnover were achieved in Europe, 12 percent in Asia and 10 percent in America and the rest of the world.

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Drop of profitability

In the first half year 2019, the gross profit dropped by about 39 percent compared to previous year's period to 6.5 million euro (2018: 10.6 million euro), which is equivalent to a gross margin of 10.8 percent (2018: 16.6 percent). The lower margin ratio is affected by a selective price policy to stimulate sales and by an unfavourable mix within the product portfolio. In order to counteract the impact of the declining business volume and sinking margins, numerous saving measures have been implemented in the production area. This action programme comprises amongst others short-time work, which started in March, as well as significant price reductions from our suppliers and measures implemented to improve productivity. A comprehensive cost reduction programme has also been realised in the sales, development and administrative sections. Besides a restrictive hiring policy, short-time work, defined material cost savings as well as selective investment allowances contributed to a significant enforcement of the results in the first half year 2019. Costs in connection with the setting up of the new production site in China amounted to 1.7 million euro in the first half year 2019.

Order book reduced by 60 percent

Increasing cancellations or shifts of orders were received from automotive customers in the first half year 2019. This is reflected in the order entry, which amounted to 30.3 million euro thus being 60.6 percent below previous year's level. As a consequence, the order book was down to 143.0 million euro at the end of June 2019 (2018: 185.1 million euro). About 52 million euro of the order book are still destined for delivery in the second half year 2019. The order book for 2020 still amounts to more than 90 million euro. The further development of the demand from the automotive industry does not seem to be predictable in the short term.

China project

The construction of a high technology plant in China is entirely on schedule. The building is completed, the interior design is in full progress. The delivery and installation of the machinery is going to start in August so that there is nothing to stop the start of production at the beginning of 2020 from today's perspective. At the end of June, 56 people were em-

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ployed in China, and according to plan we will double the number of employees within the second half year in order to prepare the start of production.

Forecast

SCHWEIZER has established itself as an indispensable specialist for power electronics and sensor technology. The embedding technology is one of our major future products. The embedding of power semiconductors into the printed circuit board will offer the customer significant advantages in the field of 48V on-board systems in order to reduce CO₂ emissions. In cooperation with Infineon, SCHWEIZER could win a very important lead project with the automotive supplier Continental. The start of mass production is planned for 2021 and will be carried out in the production site in Schramberg as well as in SCHWEIZER's new Chinese plant. Thus we are an important partner for our customers in the automotive sector for a reliable and cost optimised realisation of solutions in the fields of e-mobility and CO₂ efficiency as well as autonomous driving. However, our technologies also play an ever increasing role in particular for industry electronics customers when it comes to automation and sensor technology within the framework of industry 4.0.

The forecast for the overall economic development is quite restrained for the next quarters and is characterised amongst others by the trade conflict between the USA and China, the imminent escalation of the customs conflict between the USA and the European Union and the increasing danger of an unregulated Brexit. The economic development in Germany and the persistent weakness of the global automotive sales figures will adversely affect the business of SCHWEIZER directly, also in the second half year. We therefore do not expect a recovery of business activities in the second half year 2019. However, a further decline in business is not to be expected either from the current perspective.

Turnover and profit forecast adjusted downwards

Based on this background we expect a turnover of between 120 million euro and 125 million euro, which corresponds to a growth of between minus 4 and 0 percent (previous forecast between minus 5 and plus 5 percent). The ascertainment of the turnover forecast is based on a conservative expectation of the production volume from the Schramberg site,

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while the turnover achieved via the Asian partners WUS and Meiko will remain stable. Thus the turnover structure will continue to shift in favour of the merchandise.

The absence of a business recovery in the second half year, the ongoing weakness in the demand for printed circuit boards made in Schramberg as well as the planned increasing expenses in China triggered by the forthcoming production start will continue to burden the Group's result situation also in the second half year. Based on the currently available information we expect an EBITDA margin of between 0 and 4 percent for the Group (previous forecast between 4 and 6 percent) which corresponds to an absolute EBITDA of between 0 and 4 million euro.

About Schweizer

Schweizer Electronic AG stands for state-of-the-art technology and consultancy competence. SCHWEIZER's premium printed circuit boards and innovative solutions and services for automotive, solar, industry and aviation electronics address key challenges in the areas of Power Electronics, Embedding and System Cost Reduction. Its products are distinguished for their superior quality and their energy-saving and environmentally-friendly features. Together with its partners WUS Printed Circuit (Kunshan) Co., Ltd., Meiko Electronics Co. Ltd. and Elekonta Marek GmbH & Co. KG the company offers in its division electronics cost- and production-optimised solutions for small, medium and large series. Together with its partner Infineon Technologies AG, SCHWEIZER plans to jointly tap the chip embedding market in future.

The company was founded by Christoph Schweizer in 1849 and is listed at the Stuttgart and Frankfurt Stock Exchanges (ticker symbol „SCE“, „ISIN DE 000515623“).

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