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P R E S S R E L E A S E

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Kendrion posts revenue and EBITDA growth in solid Q1 2020; takes measures to protect cash liquidity as the COVID-19 pandemic intensifies

- **Strict operating procedures implemented to continue safe and responsible production in all factories**
- **To date, Kendrion has had five known COVID-19 infections, all fully recovered; number of known active cases at zero**
- **Revenue increase of 1% to EUR 109.6 million compared with Q1 2019 (EUR 108.3 million), organic revenue (excl. INTORQ) down 12%**
- **EBITDA (normalised) of EUR 13.7 million, 8% higher than in Q1 2019 (EUR 12.7 million)**
- **Net profit (normalised) of EUR 4.7 million in Q1 2020 (Q1 2019: EUR 4.7 million)**
- **Full range of measures implemented to reduce costs and protect financial position including short-time work and temporary voluntary salary reduction of 15% for senior management**
- **Liquidity remains strong with around EUR 17.5 million cash and EUR 50 million undrawn committed facilities**

Key figures

Reported (in EUR million)	Q1 2020	Q1 2019	delta
Revenue	109.6	108.3	1%
EBITDA	12.6	12.7	-1%
EBITA	6.2	6.7	-8%
Net profit	3.0	4.3	-30%
EBITDA as a % of revenue	11.5%	11.8%	
EBITA as a % of revenue	5.7%	6.2%	
Return on invested capital (12 months rolling)	3.6%	7.7%	

Normalised (in EUR million)	Q1 2020	Q1 2019	delta
Revenue	109.6	108.3	1%
EBITDA	13.7	12.7	8%
EBITA	7.3	6.7	9%
Net profit before amortisation	4.7	4.7	0%
EBITDA as a % of revenue	12.5%	11.8%	
EBITA as a % of revenue	6.7%	6.2%	
Return on invested capital (12 months rolling)	6.4%	10.4%	

Normalised in Q1 2020: EUR 0.6 million (EUR 0.4 million after tax) restructuring costs, EUR 0.5 million (EUR 0.4 million after tax) acquisition costs and EUR 1.2 million (EUR 0.9 million after tax) amortisation of acquisition related intangibles.

Normalised in Q1 2019: EUR 0.5 million (EUR 0.4 million after tax) amortisation of acquisition related intangibles.

Normalised Return on invested capital (12 months rolling) includes 12 months profitability of INTORQ on a pro forma basis. Reported Return on Invested capital includes profitability of INTORQ as from the date they are consolidated in the group (8 January 2020).

Joep van Beurden, Kendrion CEO:

"As the COVID-19 pandemic first affected our operations in China and subsequently in Europe and the USA, our main priority is the health and safety of our employees, their families and all other stakeholders. Five of our employees have been infected with COVID-19, all have fully recovered, and we currently have zero known active cases. We have had no instance where one Kendrion employee has infected another.

We have implemented strict operating procedures to continue production in all our factories in a safe and responsible way and we continue to deliver to our customers around the world. To further increase financial resilience, we have taken a range of measures to reduce costs and protect our financial position and liquidity. Short-time work has been put into effect in several of our European facilities and Kendrion's senior management, including the Supervisory Board, has agreed to a temporary salary reduction of 15%. We have suspended all uncommitted and non-urgent capital expenditure. Kendrion will make use of any relevant facilities or arrangements provided by the various national authorities to assist companies through the COVID-19 pandemic, including deferred payment of taxes.

During most of Q1, Europe and the USA were not yet affected by the outbreak of COVID-19, while the impact of the pandemic in China was at its peak in February and March 2020. In the final two weeks of March 2020, most of Europe and the USA entered lockdown and with the decision by most car manufacturers to temporarily discontinue production, we have seen a strong negative impact on revenue and order intake for our Automotive business. Despite this, we have had a solid Q1 in which our revenue increased by 1% compared with last year, to EUR 109.6 million, and our normalised EBITDA increased by 8%, to EUR 13.7 million, with a good contribution from newly acquired INTORQ. We have successfully completed the integration of INTORQ, which is now an integral part of our Industrial Brakes business unit.

As we move into Q2, our Automotive business will be impacted heavily, especially our revenue related to the production of passenger cars. So far, the markets for trucks, buses and agricultural products have been less affected, and our automotive production in China is approaching pre-COVID-19 levels. In our Industrial businesses, revenue is more stable, and in some areas such as actuators for food production and medical applications, much stronger than before.

How the pandemic will affect the global economy is highly uncertain, and most market research and consulting firms expect a significant decline in global GDP this year. Until it is clearer how the pandemic will affect the economy and our markets, we will continue to focus on the preservation of our liquidity.

Kendrion's product pipeline is healthy and the work on all future products is continuing. We have a robust liquidity position and are confident we can withstand the pressure currently being applied to our business. Despite the unprecedented economic situation, Kendrion remains positive about its business fundamentals, with its main objective being to deliver sustainable, profitable growth."

COVID-19 update

In all Kendrion's facilities, we have strict operating procedures in place to protect the health and safety of our employees. We will keep these measures in place for as long as is needed as we continue to focus on the health and safety of our employees and their families with priority.

To mitigate the decrease in revenue because of the pandemic, we have put short-time work into effect in several of our European facilities and Kendrion's senior management, including the Supervisory Board, has agreed to a temporary salary reduction of 15%. Discretionary spending has been limited and we have suspended all uncommitted and non-urgent capital expenditure.

Although there are some delays in deliveries in a few areas of our business, Kendrion's supply chain is currently fully operational. Kendrion continuously monitors suppliers that are critical to its supply chain and is committed to reducing its cash contained in working capital during periods of reduced revenue.

Liquidity remains strong with cash levels around EUR 17.5 million and around EUR 50 million in undrawn credit facilities. The leverage ratio based on definitions in the loan documentation was 2.3 at the end of Q1 2020 against a financial covenant level of 3.5 as per 30 June 2020 and 3.0 as from 31 December 2020 onwards.

Progress on strategy

Kendrion has built a robust and lean organisation, maintaining its focus on operational effectiveness and cost levels. The EUR 5 million cost-saving programme initiated at the end of 2019 was fully effective as from the start of the quarter and another EUR 0.6 million annualised structural cost saving was added during the quarter. Total one-off costs amounted to EUR 1.1 million, of which EUR 0.5 million related to the acquisition of INTORQ and EUR 0.6 million in restructuring costs related to the cost-saving measures.

We continue to invest in our three focus areas Automotive, Industrial Brakes and China despite difficult market conditions as the prospects for the longer term continue to be favourable. As of 1 January 2020, we operate in three business units: the Automotive Group (AG), Industrial Brakes (IB) and Industrial Actuators and Controls (IAC). We are currently evaluating the potential long-term effect of the pandemic, as we expect additional opportunities in the medical sector, in robotics and from accelerated investment of our automotive customers in Autonomous, Connected, Electrified and Shared mobility (ACES).

Within the Automotive Group, we have continued to make progress with our five Lighthouse platforms, including significant traction in sensor cleaning and sound actuators. In addition, we are prioritising capital investments that are required for successful and timely launching of the projects for which we have received nominations over the last years.

In Industrial Brakes, we completed the acquisition of INTORQ on 8 January 2020. The acquisition strengthens our position in this important growth market in Europe, the USA, China and India. The integration of INTORQ was completed on schedule and as of 1 April 2020, INTORQ and Industrial Drive Systems (IDS) are combined into one Industrial Brakes business unit. The realisation of the targeted EUR 2 million run rate for cost synergies as per the end of 2020 is on track.

China had a tough quarter, as demand, especially for passenger cars, decreased significantly when large parts of the country went into lockdown during Q1 2020. Our pipeline is strong, and we expect strong growth in our Chinese operation from 2021 onwards when two large new automotive projects will start production. Our focus on liquidity notwithstanding, we do invest in production equipment, our local workforce and supply chain. As travel between China and Europe is currently not possible, we have established a remote training protocol to build and train our Chinese team.

With INTORQ now part of the Kendrion Group, our revenue mix has changed. The Automotive Group represents about 55% of Group revenue, Industrial Brakes around 25% and Industrial Actuators and Controls around 20%. The Automotive Group and Industrial Brakes focus on organic growth, while Industrial Actuators and Controls focus on profitability and cash generation.

Financial review

Revenue

In the first quarter of 2020, revenue increased by 1% compared with the first quarter of 2019. Excluding the revenue contribution of INTORQ, organic revenue at constant exchange rates decreased by 12%. In the Automotive Group, revenue decreased by 12% compared with Q1 2019, largely as a result of the pandemic. Specifically, revenue was impacted in China and, in the last two weeks of March 2020, in Europe and the USA. Demand in the global light vehicle markets was especially affected while demand for trucks, buses and agriculture vehicles, representing around a third of the business in the Automotive Group, was less impacted.

Industrial revenue increased by 23% compared with Q1 2019. Excluding the contribution of INTORQ, revenue in the Industrial activities decreased by 11% compared with Q1 2019. Organic revenue in Industrial Brakes decreased 7% year-over-year, again excluding INTORQ. Industrial Actuators and Controls experienced some delays in its supply chain affecting first quarter revenue, which decreased 13% year-over-year. The destocking we experienced in Q4 2019 (when industrial revenue decreased by 16%) ended.

Results

The normalised operating result before depreciation and amortisation (EBITDA) increased by 8% to EUR 13.7 million (Q1 2019: EUR 12.7 million) and the EBITDA margin rose to 12.5% (Q1 2019: 11.8%). In the Automotive Group, the reduced cost base in combination with aggressive cost control in the last weeks of March 2020, when we experienced a decrease in demand, compensated for the lower revenue. In the Industrial business, profitability developed positively driven by the cost measures initiated towards the end of 2019 and a good contribution from INTORQ.

The effective tax rate in Q1 2020 was 29.7% (Q1 2019: 25.1%) and net finance charges increased by EUR 0.3 million due to the funding costs of the INTORQ transaction. Normalised net profit before amortisation of acquisition-related intangibles was EUR 4.7 million (Q1 2019: EUR 4.7 million). Reported net profit decreased 30% to EUR 3.0 million and was impacted by EUR 0.8 million after tax one-off restructuring and acquisition costs and EUR 0.5 million additional amortisation charges reflecting acquisition related intangibles in respect of INTORQ.

Financial position

The net debt position at the end of the first quarter was EUR 131.8 million compared with EUR 47.4 million at year-end 2019. The EUR 84.4 million increase was the result of the EUR 78 million net purchase price of the INTORQ acquisition and the free cash flow of minus EUR 6.4 million. First quarter free cash flow is traditionally impacted by seasonal effects with lower activity, and therefore working capital levels, at year-end. The free cash flow includes EUR 1.5 million of one-off cash expenditure related to restructuring costs and transaction costs for the INTORQ acquisition that have been normalised in the results.

The leverage ratio based on the definitions in our loan documentation, which excludes IFRS 16 lease liabilities, stood at 2.3, which means Kendrion was operating well within the financial covenant level of 3.5 agreed with its banks as at 30 June 2020 and 3.0 as from 31 December 2020 onwards.

Investments amounted to EUR 3.8 million in the first quarter, well below the depreciation of EUR 6.4 million. We expect 2020 investments to be below depreciation as we focus on cash flow and prioritise investments that protect existing and future revenue.

Kendrion's solvency ratio remains strong at 44.1% at the end of March 2020, compared with 48.5% at the same time last year

Number of employees

The total number of employees (FTEs) increased from 2,316 at the end of 2019 to 2,522 at the end of the first quarter 2020. The increase was caused by the acquisition of INTORQ, adding 279 FTEs. Organically, the number of FTEs decreased by 73, driven by the cost measures that were taken towards the end of 2019.

Outlook

Looking ahead, it is obvious that the effects of the COVID-19 pandemic on the 2020 global economy are severe. The longer-term impact is highly uncertain, and until it is clearer how the pandemic will affect the economy and our markets, we will continue to focus on the protection of our liquidity. Despite the current unprecedented economic situation, we continue to see ample growth opportunities in our focus areas of Automotive, Industrial Brakes and China in the medium to longer term. We remain positive about our business fundamentals, with our main objective being to deliver sustainable profitable growth.

Kendrion expects to present a strategic and financial update of the enlarged Kendrion, including INTORQ, on 10 September 2020. This will include updated medium-term financial targets, fully reflecting the INTORQ acquisition.

Analysts' call Q1 2020 results

Kendrion CEO Joep van Beurden and CFO Jeroen Hemmen will present the Q1 2020 results on Tuesday, 5 May 2020, at 11:00 a.m. CET via an analysts' conference call.

Capital Markets Day

Kendrion intends to organise a Capital Markets Day for analysts and investors on Thursday, 10 September 2020, in Amsterdam. More details and an official invitation will follow in due course.

Profile of Kendrion N.V.

Kendrion develops, manufactures and markets high-quality electromagnetic systems and components for industrial and automotive applications. For more than a century, we have been engineering precision parts for the world's leading innovators in passenger cars, commercial vehicles and industrial applications. As a leading technology pioneer, Kendrion invents, designs and manufactures complex components and customised systems as well as local solutions on demand.

We are committed to the engineering challenges of tomorrow, and taking responsibility for how we source, manufacture and conduct business is embedded into our culture of innovation. Rooted in Germany, headquartered in the Netherlands and listed on the Amsterdam stock exchange, Kendrion's expertise extends across Europe, to the Americas and Asia. Created with passion and engineered with precision.

Amsterdam, 5 May 2020

The Executive Board

For more information, please contact:

Kendrion N.V.
Mr Joep van Beurden
Chief Executive Officer
Tel: +31 85 073 1504
Email: IR@kendrion.com
Website: www.kendrion.com

Annexes

1. Consolidated statement of comprehensive income
2. Consolidated statement of financial position
3. Financial calendar 2020 - 2021

Annex 1 - Consolidated statement of comprehensive income

(EUR million)	**Q1 2020**	**Q1 2019**	**full year 2019**
Revenue	109.6	108.3	412.4
Other income	0.1	-	-
Total revenue and other income	**109.7**	**108.3**	**412.4**
Changes in inventories of finished goods and work in progress	(3.5)	(1.6)	4.8
Raw materials and subcontracted work	58.8	58.2	214.6
Staff costs	33.5	31.9	124.6
Depreciation and amortisation	7.6	6.5	26.2
Other operating expenses	8.3	7.1	30.7
Result before net finance costs	**5.0**	**6.2**	**11.5**
Finance income	0.0	0.0	2.2
Finance expense	(0.7)	(0.4)	(2.8)
Share profit or loss of an associate	-	-	(0.3)
Profit before income tax	**4.3**	**5.8**	**10.6**
Income tax expense	(1.3)	(1.5)	(2.7)
Profit for the period	**3.0**	**4.3**	**7.9**
Basic earnings per share (EUR), based on weighted average	0.20	0.32	0.59
Basic earnings per share (EUR), based on weighted average (diluted)	0.20	0.32	0.59

Annex 2 - Consolidated statement of financial position

(EUR million)	31 March 2020	31 March 2019	31 Dec. 2019
Assets			
Non-current assets			
Property, plant and equipment	123.9	112.9	111.4
Intangible assets	170.8	116.1	115.5
Other investments, including derivatives	2.7	3.1	2.7
Deferred tax assets	14.5	13.0	14.5
Contract costs	0.7	0.4	0.7
Total non-current assets	**312.6**	**245.5**	**244.8**
Current assets			
Inventories	73.7	67.4	56.3
Current tax assets	3.0	0.9	2.7
Trade and other receivables	60.5	63.1	47.1
Cash and cash equivalents	17.5	10.5	7.1
Total current assets	**154.7**	**141.9**	**113.2**
Total assets	**467.3**	**387.4**	**358.0**
Equity and liabilities			
Equity			
Share capital	29.9	27.1	29.9
Share premium	51.7	39.8	51.7
Reserves	121.6	116.8	114.0
Retained earnings	3.0	4.3	7.9
Total equity	**206.2**	**188.0**	**203.5**
Liabilities			
Loans and borrowings	139.6	87.9	48.9
Employee benefits	19.2	19.0	19.8
Deferred tax liabilities	17.7	10.1	10.6
Total non-current liabilities	**176.5**	**117.0**	**79.3**
Bank overdraft	6.7	5.3	2.5
Loans and borrowings	3.0	4.9	3.1
Provisions[1]	1.2	1.6	1.4
Current tax liabilities[1]	2.6	3.7	2.6
Contract liabilities	6.4	6.9	6.6
Trade and other payables	64.7	60.0	59.0
Total current liabilities	**84.6**	**82.4**	**75.2**
Total liabilities	**261.1**	**199.4**	**154.5**
Total equity and liabilities	**467.3**	**387.4**	**358.0**

[1]Restated 31 March 2019 due to adoption of IFRIC 23.

Annex 3 - Financial calendar 2020 – 2021

2020

Publication of Q1 2020 results	Tuesday, 5 May 2020	07.30 a.m.
Analysts' call	Tuesday, 5 May 2020	11.00 a.m.
General Meeting of Shareholders	Monday, 24 June 2020	02.00 p.m.
Publication of HY1 2020 results	Tuesday, 18 August 2020	07.30 a.m.
Analysts' meeting	Tuesday, 18 August 2020	11.00 a.m.
Capital Markets Day	Thursday, 10 September 2020	11.00 a.m.
Publication of Q3 2020 results	Tuesday, 3 November 2020	07.30 a.m.
Analysts' call	Tuesday, 3 November 2020	11.00 a.m.

2021

Publication of FY 2020 results	Friday, 19 February 2021	07.30 a.m.
Analysts' meeting	Friday, 19 February 2021	11.00 a.m.
General Meeting of Shareholders	Monday, 12 April 2021	02.30 p.m.
Publication of Q1 2021 results	Tuesday, 4 May 2021	07.30 a.m.
Analysts' call	Tuesday, 4 May 2021	11.00 a.m.
Publication of HY1 2021 results	Wednesday, 25 August 2021	07.30 a.m.
Analysts' meeting	Wednesday, 25 August 2021	11.00 a.m.
Publication of Q3 2021 results	Tuesday, 2 November 2021	07.30 a.m.
Analysts' call	Tuesday, 2 November 2021	11.00 a.m.