

K E N D R I O N N . V .
P R E S S R E L E A S E
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Kendrion grows revenue and profitability as economic recovery continues

- Strict operating procedures remain in place to continue safe and responsible production
- Revenue increased by 5% to EUR 115.3 million compared to Q1 2020 (EUR 109.6 million)
- Normalised EBITDA grew by 18% to EUR 16.1 million (Q1 2020: EUR 13.7 million)
- Normalised net profit of EUR 6.4 million came in 36% higher than Q1 2020 (EUR 4.7 million)
- Broad demand recovery: all Business Groups increased year-over-year revenues and profitability
- Construction of new manufacturing facility in Suzhou Industrial Park on schedule to open H1Y 2022
- Financial position remains strong with leverage ratio of 2.3 (Q1 2020: 2.6) and solvency of 46.8% (Q1 2020: 44.1%)

Key figures

Reported (in EUR million)	Q1 2021	Q1 2020	delta
Revenue	115.3	109.6	5%
EBITDA	16.3	12.6	29%
EBITA	10.0	6.2	61%
Net profit	5.9	3.0	97%
EBITDA as a % of revenue	14.1%	11.5%	
EBITA as a % of revenue	8.7%	5.7%	
Return on invested capital ² (12 months rolling)	9.9%	6.5%	

Normalised (in EUR million) ¹	Q1 2021	Q1 2020	delta
Revenue	115.3	109.6	5%
EBITDA	16.1	13.7	18%
EBITA	9.8	7.3	34%
Net profit before amortisation	6.4	4.7	36%
EBITDA as a % of revenue	14.0%	12.5%	
EBITA as a % of revenue	8.5%	6.7%	
Return on invested capital ² (12 months rolling)	11.6%	11.4%	

¹Normalised in Q1 2021: EUR 0.2 million (EUR 0.2 million after tax) restructuring costs and EUR -0,4 million (EUR -0,4 million after tax) tax claim receipt. Normalised in Q1 2020: EUR 0.6 million (EUR 0.4 million after tax) restructuring costs and EUR 0.5 million (EUR 0.4 million after tax) acquisition costs.

²Invested capital excluding intangibles arising from acquisitions.

Joep van Beurden, Kendrion CEO:

"We had a strong quarter, with all of our Business Groups increasing revenue and EBITDA. A year ago, we prepared ourselves for the impact of the COVID-19 pandemic on our operations. With demand increasing we are now finding ourselves having to navigate various capacity and supply chain constraints so that we can meet our customers' demands. I am grateful for the agility and commitment of our entire organization as we continue to build on the recovery that started in Q3 and Q4 of 2020.

In Automotive, revenue was higher than in Q1 2020 despite shortages in semiconductors, certain types of steel and even plastics. Our strong momentum in actuators for Autonomous, Connected, Electric and Shared mobility (ACES) in the passenger cars segment remains intact, as the transition towards the ACES accelerates.

Industrial Brakes benefits from a strong trading environment. We see a wide-ranging increase in demand in most of Industrial Brakes' business segments across all regions. We also note that the broad energy transition towards electrification, boosts demand for electromotors and thus for our brakes. Industrial Actuators and Controls also had a strong start to the year, with demand challenging our production capacity in several market segments such as such as medical and machine safety. Our China operation continues to grow its revenue. The construction of a new factory in Suzhou's renowned Industrial Park is progressing according to plan.

Looking ahead we expect the current healthy economic activity level to continue in the second quarter and, depending on the efficiency of national vaccination programs, the rest of the year. Longer-term, we expect the accelerating push towards clean energy to benefit our three growth areas of Automotive, where we focus on the ACES; Industrial Brakes as it boosts demand for wind power, robotics, and various other segments; and China, with both Automotive and Industrial Brakes growth opportunities.

We are confident that the global push for cleaner energy, combined with our strong position in relevant markets for our focus areas Automotive, Industrial Brakes and China, will help deliver our medium-term financial targets of 5% organic growth between 2019 and 2025, an EBITDA of at least 15% in 2025 and an ROIC of at least 25% in 2025."

COVID-19 update

Our business and personal lives continue to be impacted by COVID-19, and the health and safety of our employees and their families remain our priority. We continue to keep strict operating procedures in place in all Kendrion's facilities, except for Suzhou and Shanghai, where COVID-19 no longer puts a constraint on daily life. In Q1 we made limited use of short-time work. The current schemes remain available in most of our European facilities until the end of 2021.

Kendrion's supply chain is fully operational, as we continue to navigate production capacity constraints and the shortage of certain components such as semiconductors, certain types of steel and some plastics. We continue to closely monitor suppliers that are critical to our supply chain to alleviate the impact on our business where we can.

Progress on strategy

Kendrion has built a robust, agile, and lean organisation and maintains its focus on operational effectiveness and cost levels. We responded quickly in the past year when economic activity came to a sudden standstill and we are scaling back up as demand is rebounding.

We operate in three Business Groups: Automotive Group (AG), Industrial Brakes (IB) and Industrial Actuators and Controls (IAC). AG and IB, as well as China, focus on organic growth. In IAC, the emphasis lies on profitability and cash generation. In China, we are on schedule to build our 28,000 m² manufacturing

facility in Suzhou's Industrial Park, a prime location for technology and advanced manufacturing companies.

The prospects for the longer term continue to be favourable as the world's transition to cleaner forms of energy, such as the electrification of passenger cars and several important industrial segments, is accelerating. As we focus on enabling this transition with specific actuators in Automotive and in Industrial with brakes for wind power and robotics among other segments, we expect this trend to offer us additional opportunities for organic growth.

Financial review

Revenue

First quarter revenue came in at EUR 115.3 million, 5% higher than in the first quarter of 2020 or 6% higher at constant exchange rates. All Business Groups contributed to the growth. The Automotive Group continued the positive trend that started in the third quarter of 2020 and realised 4% organic growth on the back of particularly strong demand from its European passenger cars customers. The commercial vehicles segment, and especially the long-haul coach segment, was still weak due to COVID-19. Industrial Brakes continues its strong performance, with an organic revenue increase of 11% rising above pre-COVID-19 levels.

Demand for industrial brakes is strong in all segments and geographies driven by the growing trend towards electrification across manufacturing industries. Revenue in Industrial Actuators and Controls increased by 5%. While some segments were still under pressure, notably aerospace and textiles, strong demand in other segments, including medical and machine safety, more than compensated this. China performed well with continued strong demand, especially in Industrial Brakes, while China's first quarter of last year was particularly impacted by the COVID-19 lockdowns.

Results

Normalised operating result before depreciation and amortisation (EBITDA) increased across all Business Groups to a total of EUR 16.1 million, up 18% compared to EUR 13.7 million over Q1 2020. The EBITDA margin in Q1 was 14.0% (Q1 2020: 12.5%).

The increased normalised profitability compared to the first quarter of 2020 is the result of a better added value margin and good operational leverage, with total operating costs as a percentage of revenue decreasing to 36.1% (Q1 2020: 37.1%). The product mix in Q1 contributed to the higher added value margin. Depreciation charges decreased by EUR 0.1 million to EUR 6.3 million in the first quarter, leading to a normalised EBITA of EUR 9.8 million, 34% higher than the EUR 7.3 million realised in the same quarter last year.

The effective tax rate on normalised income in Q1 2021 was 30.7% (Q1 2020: 29.3%) while net finance costs were stable at EUR 0.7 million. Normalised net profit before amortisation charges arising from acquisitions increased to EUR 6.4 million, up 36% compared to last year.

Reported net profit came in at EUR 5.9 million (Q1 2020: EUR 3.0 million) and includes a net one-off benefit of EUR 0.2 million that has been normalised from the results.

Financial position

Total net debt including IFRS 16 lease liabilities increased to EUR 109.7 million from EUR 103.2 million at the end of 2020, yet decreased significantly compared to a year earlier, when net debt stood at EUR 131.8 million. The debt increase has been caused fully by traditional seasonal effects (increased working capital following higher activity levels) in Q1 compared to Q4 2020.

First quarter free cash flow of EUR 5.4 million negative was EUR 1.0 million ahead of the same period last year. The leverage ratio based on total net debt divided by 12 months rolling EBITDA remained stable at

2.3, well below the financial covenant of 5.8 at the end of Q1, and the long-term covenant of 3.25 which will be applicable as from 31 December 2021.

Investments amounted to EUR 5.1 million in the first quarter, compared to a depreciation level of EUR 6.3 million. Kendrion's solvency ratio remains strong at 46.8% at the end of March 2021, compared to 44.1% at the same time last year.

Number of employees

The number of employees (in FTEs) increased from 2.456 at the end of last year to 2.531 at the end of the first quarter 2021. The increase is driven by an increasing number of direct production-related employees following higher activity levels.

Outlook

Although continuing constraints in the global supply chain for various components, and especially for semiconductors for our Automotive Group, remain a concern and have the potential to affect short term revenue, we are confident that the underlying demand for our products continues to be strong in the second quarter. We anticipate the global economy to recover over the course of this year, depending on the efficiency of national vaccination programmes.

As presented at our Capital Markets Day in September 2020, we have a medium-term financial target of 5% organic growth between 2019 and 2025, an EBITDA of at least 15% and an ROIC of at least 25% in 2025. Our strong business fundamentals and the positive start to 2021 strengthens our confidence that we are well positioned to attain these targets.

Analysts' call Q1 2021 results

Kendrion CEO Joep van Beurden and CFO Jeroen Hemmen will present the Q1 2020 results today, at 11:00 a.m. CET, via an analysts' conference call. The recording will be available on www.kendrion.com.

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, 4 May 2021

The Executive Board

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Annexes

1. Consolidated statement of comprehensive income
2. Consolidated statement of financial position
3. Financial calendar 2021 – 2022

Annex 1 - Consolidated statement of comprehensive income

(EUR million)	Q1 2021	Q1 2020	full year 2020
Revenue	115.3	109.6	396.4
Other income	0.0	0.1	0.3
Total revenue and other income	115.3	109.7	396.7
Changes in inventories of finished goods and work in progress	(2.3)	(3.5)	2.5
Raw materials and subcontracted work	59.8	58.8	203.2
Staff costs	33.5	33.5	119.5
Depreciation and amortisation	7.2	7.6	30.1
Other operating expenses	8.0	8.3	31.3
Result before net finance costs	9.1	5.0	10.1
Finance income	0.0	0.0	0.0
Finance expense	(0.7)	(0.7)	(4.1)
Share profit or loss of an associate	-	-	(0.3)
Profit before income tax	8.4	4.3	5.7
Income tax expense	(2.5)	(1.3)	(1.4)
Profit for the period	5.9	3.0	4.3
Basic earnings per share (EUR), based on weighted average	0.40	0.20	0.29
Basic earnings per share (EUR), based on weighted average (diluted)	0.40	0.20	0.29

Annex 2 - Consolidated statement of financial position

(EUR million)	31 March 2021	31 March 2020	31 Dec. 2020
Assets			
Non-current assets			
Property, plant and equipment	118.9	123.9	118.7
Intangible assets	158.0	170.8	158.1
Other investments, including derivatives	3.0	2.7	3.0
Deferred tax assets	18.6	14.5	19.2
Contract costs	0.6	0.7	0.6
Total non-current assets	299.1	312.6	299.6
Current assets			
Inventories	67.5	73.7	61.7
Current tax assets	1.3	3.0	1.4
Trade and other receivables	70.7	60.5	53.4
Cash and cash equivalents	14.7	17.5	13.0
Total current assets	154.2	154.7	129.5
Total assets	453.3	467.3	429.1
Equity and liabilities			
Equity			
Share capital	29.9	29.9	29.9
Share premium	51.7	51.7	51.7
Reserves	124.8	121.6	117.5
Retained earnings	5.9	3.0	4.3
Total equity	212.3	206.2	203.4
Liabilities			
Loans and borrowings	113.9	139.6	104.2
Employee benefits	15.1	19.2	15.5
Deferred tax liabilities	15.8	17.7	15.9
Provisions	0.7	-	0.7
Total non-current liabilities	145.5	176.5	136.3
Bank overdraft	3.4	6.7	4.5
Loans and borrowings	7.1	3.0	7.5
Provisions	1.3	1.2	1.5
Current tax liabilities	6.0	2.6	5.2
Contract liabilities	5.8	6.4	5.5
Trade and other payables	71.9	64.7	65.2
Total current liabilities	95.5	84.6	89.4
Total liabilities	241.0	261.1	225.7
Total equity and liabilities	453.3	467.3	429.1

Annex 3 - Financial calendar 2021 – 2022**2021**

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.

2022

Publication of FY 2021 results	Friday, 25 February 2022	07.30 a.m.
Analysts' meeting	Friday, 25 February 2022	11.00 a.m.
General Meeting of Shareholders	Monday, 11 April 2022	02.00 p.m.
Publication of Q1 2022 results	Tuesday, 3 May 2022	07.30 a.m.
Analysts' call	Tuesday, 3 May 2022	11.00 a.m.
Publication of HY1 2022 results	Wednesday, 24 August 2022	07.30 a.m.
Analysts' meeting	Wednesday, 24 August 2022	11.00 a.m.
Publication of Q3 2022 results	Tuesday, 8 November 2022	07.30 a.m.
Analysts' call	Tuesday, 8 November 2022	11.00 a.m.