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First half result 2019 financial year

Challenging market environment impacts net sales and earnings

In a challenging market environment, the technology company Feintool recorded a slight decline in revenue in the first half of 2019, falling by 1.6 percent year over year to CHF 332 million. The decrease in the ongoing parts production and equipment business and negative currency effects were largely offset by additional net sales from the newly acquired electro lamination stamping business and ramp-ups of new parts orders. EBITDA amounted to CHF 34.8 million, and Feintool continues to expect a sustained positive net result for the entire 2019 financial year.

Feintool is pursuing a long-term strategy focusing on precision fineblanking and forming combined with systematic internationalization and technical innovation. With the manufacture of electric motor components, Feintool is successfully developing and expanding into the fast-growing electrification market, which represents another strategic business field.

Uncertain market environment

Whereas 2018 was a record year for Feintool, economic and political uncertainties are now increasingly weighing on the market environment. More stringent environmental requirements and associated test cycles are delaying market launches and deliveries of new car models. Changing trade flows and discussions about the future of the internal combustion engine, hybrid technology, electric vehicles, and mobility in general are having an impact on the development of the industry and the behavior of market participants.

All of these factors are having different effects on sales in the company's most important regions. For example, according to the German Association of the Automotive Industry (VDA), sales in the passenger car market fell worldwide in the first half of 2019. In Europe and the United States, the number of vehicles sold declined year over year by three percent and two percent, respectively. Sales in the Chinese market even dropped by 14 percent. The capital goods market followed this trend with low investment confidence around the world.

Feintool is closely monitoring the market situation and has initiated measures adapted to the individual regions. As such, Feintool is reacting to current market conditions and optimizing its locations to meet the respective challenges, while at the same time driving innovation forward.

Market environment heavily impacts business performance

During the reporting period, the Feintool Group generated net sales of CHF 331.9 million. Of this total, CHF 19.5 million resulted from the new electro lamination stamping business. EBITDA fell to CHF 34.8 million in the first half of the year (previous year: CHF 45.4 million). The decline in revenues – caused by market changes in the existing parts production and equipment business – resulted in overcapacity as well as preproduction costs for new orders had a negative impact. Newly installed capacities for acquired orders, particularly in China, reinforced this effect through increased depreciation and amortization. Therefore, the operating earnings (EBIT) amounted to CHF 10.5 million (previous year: CHF 25.7 million). This corresponds to an EBIT margin of 3.2 percent. The Group net result for the reporting period stood at CHF 4.7 million.

Cash flow improved

Operating cash flow totaled CHF -5.5 million, compared to CHF -25.2 million during the same period last year. This was due to a sharp reduction in capital expenditures.

Parts production driving growth

System Parts – in which Feintool is globally active with the high-volume production of high-precision fineblanked and formed components – accounted for the largest share of revenues. The segment grew by 2.2 percent to CHF 299.4 million in local currency in the first half of the year – thanks to an acquisition in the field of electro lamination stamping as well as new orders – and thus generated almost 90 percent of consolidated sales. Net sales generated in Europe totaled CHF 177.2 million. Adjusted for currency effects, this corresponds to growth of 6.8 percent. The new acquisition accounted for 11.4 percent. As a result, adjusted for the acquisition and currency effects, net sales also fell by 4.8 percent in Europe, despite the company receiving new orders. Currency-adjusted revenues generated in the United States fell by 3.1% to CHF 91.7 million, due in particular to falling steel prices. Not adjusted for currency effects, revenues generated in the United States stood at the previous year's level. Revenues generated in Asia fell to CHF 31.7 million, a decrease of 3.8 percent in local currency terms. Thanks to receiving numerous new orders, the decrease in revenues generated in Asia is significantly smaller than the overall market decline.

Fineblanking technology driving innovation

Net sales generated in the Fineblanking Technology segment – in which Feintool offers end-to-end technological solutions for fineblanking – fell by 18.9 percent to CHF 43.2 million. Lower press sales were the primary cause of this decline in revenue. During the reporting period, the company received new orders with a value of CHF 31.6 million (previous year: CHF 57.9 million).

Despite the market participants' reluctance to invest in capital goods, Feintool is pushing its future oriented projects. A special focus was given to the development of the new hydraulic press generation "FB one". With regard to research and development projects, Feintool was also able to make considerable progress in the project to manufacture bipolar plates for use in fuel cells. The company has succeeded in proving its feasibility and developing a production concept.

Cautious outlook

Due to the existing political and increasing economic uncertainties, Feintool expects these to have a depressive impact on the anticipated net sales in all regions and markets. The extent and duration of these negative influences are currently difficult to assess, therefore Feintool is refraining from issuing a quantitative outlook for the financial year 2019 for the time being. Feintool expects the market situation to remain difficult in the second half of 2019, but nevertheless expects to generate sustained positive net result for the 2019 financial year.

Feintool expects further growth in all regions in the coming years, due to customer projects and new market share acquired in the current financial year.

Overview of key financial indicators

	Change in local currency in % ¹	Change in % ¹	January 1 to June 30, 2019 in CHF million	January 1 to 6/30/2018 in CHF million
Net sales	-0.9	-1.6	331.9	337.3
EBITDA	-23.2	-23.3	34.8	45.4
Depreciation and amortization	+24.3	+23.3	-24.3	-19.7
Operating earnings (EBIT)	-59.7	-59.0	10.5	25.7
Group result	-74.9	-72.4	4.7	16.9
Free cash flow			-5.5	-25.2
Total assets (comparison period ending December 31, 2018)		+2.9	725.4	705.3
Shareholder's equity (comparison period ending December 31, 2018)		-4.2	307.3	320.8
Net sales¹				
– Fineblanking Technology segment	-19.1	-18.9	43.2	53.3
– System Parts segment	+2.2	+1.4	299.4	295.2
Consolidated Feintool Group total	-0.9	-1.6	331.9	337.3
Orders received – capital goods	-45.6	-45.5	31.6	57.9
Orders backlog – capital goods	-45.4	-45.4	25.8	47.2
Expected releases – high-volume parts production	-5.6	-8.3	271.4	295.9

	Change in local currency in % ¹	Change in % ¹	April 1 to June 30, 2019 in CHF million	April 1 to June 30, 2018 in CHF million
Net sales				
– Fineblanking Technology segment	-40.4	-40.5	18.3	30.7
– System Parts segment	-2.1	-3.7	144.7	150.3
Consolidated Feintool Group total	-8.6	-10.1	158.3	176.0
Orders received – capital goods	-61.1	-61.0	11.1	28.6

¹ compared to the same period in the previous year

More detailed information about Feintool's 2019 half-year report can be found at <https://www.feintool.com/en/company/investor-relations/>

About Feintool

Feintool is an international technology and market leader in fineblanking. This technology is characterized by its cost-effectiveness, quality, and productivity. As innovation drivers, we are constantly pushing the limits of fineblanking and developing intelligent solutions to meet our customers' needs – on the one hand, we offer fineblanking systems with innovative tools and, on the other, the end-to-end production of high-precision fineblanked, formed, and stamped electro lamination components in large quantities for demanding industrial applications. The processes we use support trends in the automotive industry. In this context, Feintool is a project and development partner in the fields of light-weight construction/sustainability, module variations/platforms, and alternative drive concepts such as hybrid and electric drives. The company, founded in 1959 and headquartered in Lyss, Switzerland, operates its own production facilities and technology centers in Europe, the United States, China, and Japan, ensuring that it is always close to its customers. Approximately 2 700 employees and over 80 vocational trainees work across the globe on new solutions and help Feintool customers gain key competitive advantages.