Corporate news

KAP HOLDS ITS GROUND IN A DIFFICULT MARKET ENVIRONMENT IN THE FIRST NINE MONTHS OF 2024

- Revenue down 5.8% at €237.2 million (previous year: €251.9 million on a comparable basis)
- Efficiency gains resulting from structural measures lead to a 5.6% increase in normalised EBITDA to €17.1 million (previous year: €16.2 million on a comparable basis) as expected
- Completed sale of the *precision components* segment signals continuation of clear portfolio strategy
- Guidance forecast for the full year 2024 confirmed

Fulda, 21 November 2024 – KAP AG ("KAP"), a mid-sized industrial holding company listed on the stock exchange (German securities identification number: WKN 620840; ISIN: DE0006208408), holds its ground in the first nine months of 2024 in what remains a challenging economic environment. Producing an improvement in profitability as expected, the structural measures that the Company introduced early on and has mostly already implemented in response to weak demand, particularly in the automotive sector, are bearing fruit. The measures that are already being taken are reviewed regularly and adjusted where necessary.

Modest development: structural measures lead to improved profitability despite difficult environment

At €237.2 million, the KAP Group's revenue in the first nine months of 2024 was down 5.8% (on a comparable basis, i.e. excluding the subsection of the *flexible films* segment sold in April 2023). This reflects in particular the weak demand from customers in the automotive sector, which had a tangible impact on performance in the *surface technologies* and *precision components* segments as well as in some cases of the *engineered products* segment. The *flexible films* segment, on the other hand, benefited from its strong positioning for pool liners. With its ability to appreciably cushion the impact of weak demand in individual areas, KAP AG's diversified footprint demonstrated its advantages once again in the reporting period.

Normalised earnings before interest, taxes, depreciation and amortisation (normalised EBITDA) increased in the first nine months of 2024 by 5.6% to €17.1 million (previous year: €16.2 million on a comparable basis). The normalised EBITDA margin rose accordingly by 0.8 percentage points to 7.2% (previous year: 6.4% on a comparable basis). The improvement achieved is due to the structural measures partially implemented already, which are meanwhile producing a considerable effect, especially in the *engineered products* segment. In combination with the good performance in the *flexible films* segment, this made it possible to compensate for the weaker performance of the other two segments.

Marten Julius, member and Spokesman of the Management Board of KAP AG: "Our figures for the first nine months of 2024 clearly show that we are on the right track with the structural measures we introduced early on. We will likewise take further measures to address the ongoing challenges that lie ahead of us in the coming quarters. The sale of all material parts of the *precision components* segment, which was completed at the end of October, is an important stepping stone as we focus on increasing the profitability of the other segments."

Performance varied across segments

In the first nine months of 2024, the ***engineered products*** segment was heavily affected by continued weak customer demand from the industrial and automotive sectors and the measures to optimise the product portfolio. Accordingly, revenue decreased by 9.4% to €83.8 million (previous year: €92.5 million). The changes made to the product mix – together with the structural measures that went according to plan – produced the anticipated significant improvement in earnings. Normalised EBITDA rose by 59.2% to €4.8 million (previous year: €3.0 million). The normalised EBITDA margin increased as a result by 2.5 percentage points to 5.8% (previous year: 3.3%).

In the ***flexible films*** segment, revenue grew by 6.0% in the reporting period to €68.9 million (previous year: €65.0 million on a comparable basis). This development reflects the segment companies' good positioning for pool liners in the first normal season since the pandemic. The period during the pandemic was characterised by an initial steep increase in demand followed by a significant decline again as our customers reduced their excess stock in the past year. The structural measures implemented are having the planned effect in this segment as well: normalised EBITDA climbed 14.0% to €10.6 million (previous year: €9.3 million on a comparable basis) and, accordingly, at 15.4% (previous year: 14.3%) the normalised EBITDA margin was 1.1 percentage points higher than in the previous year.

The development of revenue in the ***surface technologies*** segment in the reporting period was marked by persistently weak demand from the automotive sector. Customer demand remained extremely subdued even in the summer months. The main reason for this was the significant decline in new registrations in Germany and in the associated demand for surface coatings for vehicle parts. Against this background, revenue decreased by 11.4% to €47.4 million (previous year: €53.5 million). Capacity utilisation was therefore low, leading to a 45.4% decrease in normalised EBITDA to €2.9 million (previous year: €5.3 million). The normalised EBITDA margin narrowed by 3.8 percentage points to 6.2% (previous year: 10.0%).

In the ***precision components*** segment, revenue in the first nine months of 2024 fell by 8.8% to €37.4 million (previous year: €40.9 million). The continued weak performance is due in particular to the low demand from customers in the automotive sector and for e-bike components. Lower capacity utilisation led to a steeper decrease in normalised EBITDA, down 42.3% to €1.4 million (previous year: €2.5 million). The normalised EBITDA margin narrowed by 2.2 percentage points to 3.8% (previous year: 6.0%). KAP sold all material parts of the segment as part of a management buy-out effective as of 31 October 2024, generating proceeds in the single-digit million euro range from the transaction. The buyer is additionally assuming pension and financial obligations.

Guidance forecast for the 2024 financial year confirmed
For the 2024 financial year, the Management Board expects the KAP Group's business performance to be still marked by a challenging market environment. Due to the diversified investment model and the structural measures already introduced and in the process of implementation, the Management Board anticipates a moderate increase in revenue and a significant increase in normalised EBITDA relative to the previous year on a comparable basis. Without the divested companies in the *flexible films* segment and without the entirety of the *precision components* segment, revenue in the previous year had amounted to €263.9 million and normalised EBITDA to €13.5 million.

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About KAP AG
KAP AG is a listed industrial holding company focused on upper mid-size operating companies that seizes attractive growth opportunities in their respective niche markets. Specifically, KAP AG currently focuses on four distinct operating segments: *engineered products, flexible films* and *surface technologies*. KAP AG currently has over 1,800 employees at 20 locations in eleven countries. KAP AG is a Participant of the United Nations Global Compact and adheres to its principles-based approach to responsible business. KAP AG's shares are listed on the Regulated Market of the Frankfurt Stock Exchange (General Standard, ISIN DE0006208408).