

Corporate news

KAP HOLDS ITS OWN IN A CHALLENGING MARKET ENVIRONMENT AND RECORDS SOLID PERFORMANCE IN THE FIRST QUARTER OF 2024

- Revenue in Q1 2024 stands at €83.1 million, with normalised EBITDA at €8.5 million
- EBITDA margin improves by 0.3 percentage points to 10.2% (on a comparable basis)
- Heterogeneous development of segments with strong earnings performance in the *flexible films* segment
- Management Board confirms forecast for 2024

Fulda, 28 May 2024 – KAP AG (“KAP”), a mid-sized industrial holding company listed on the stock exchange (German securities identification number: WKN 620840; ISIN: DE0006208408), held its ground in the first quarter of 2024 in a market environment that remained challenging. The Company generated revenue of €83.1 million (previous year: €98.1 million on a comparable basis, that is without the subsegment sold in April 2023). It should be noted that the revenue level in the first quarter of 2023 was particularly high on the back of pent up demand after the Covid-19 pandemic was overcome.

Normalised earnings before interest, taxes, depreciation and amortisation (normalised EBITDA) came to €8.5 million in the first quarter of 2024, falling short of the previous year’s figure by €9.7 million (on a comparable basis). The structural measures initiated and in some cases already implemented to improve efficiency had a positive impact and have already made initial positive contributions. The normalised EBITDA margin improved accordingly by 0.3 percentage points to 10.2% (previous year: 9.9% on a comparable basis).

Marten Julius, member and Spokesman of the Management Board of KAP AG: “Challenging economic factors continued to permeate the development of our segments at the beginning of the year. As announced, we responded consistently to the weak demand with structural measures and were thus able to perform well overall in the first quarter of 2024. Looking ahead to the further course of business, we are encouraged by the slight upturn in demand for our products and are certainly optimistic. Against the backdrop of the difficult environment, however, we are acting cautiously and with a clear focus on profitability.”

Guidance forecast for the full financial year 2024 confirmed

For the 2024 financial year, the Management Board therefore continues to expect a moderate increase in revenue and a significant increase in normalised EBITDA relative to the previous year on a comparable basis. In the previous year, excluding the subsection of the *flexible films* segment sold, revenue amounted to €316.7 million and normalised EBITDA to €15.6 million.

Heterogeneous developments across the individual segments

As anticipated, the development of the *engineered products* segment in the first quarter of 2024 was marked by weaker customer demand from the automotive sector. Accordingly, revenue declined by 25.0% to €27.1 million (previous year: €36.1 million). The implementation of the announced structural measures to increase production efficiency and streamline administrative functions is proceeding according to plan. The measures at the headquarters in Fulda have already been largely completed, while implementation of the product portfolio's optimisation continues in stages. Normalised EBITDA decreased by 27.7% to €1.9 million (previous year: €2.6 million). At 6.9%, the normalised EBITDA margin almost reached the previous year's level of 7.1%.

Demand in the *flexible films* segment returned to normal in the reporting period, leaving behind the previous year's effects attributable to the pandemic, which were manifested in an initial steep rise in demand followed by a subsequent significant decline. At €25.5 million (previous year: €27.8 million on a comparable basis, that is without the subsegment sold in April 2023), revenue was only 8.3% below what had been a very good level in the previous year. The structural measures implemented are already taking effect here too, with the segment's normalised EBITDA rising by 15.0% to €4.6 million (previous year: €4.0 million on a comparable basis). This equates to a significant improvement of the normalised EBITDA margin, which widened by 3.6 percentage points to 18.0% (previous year: 14.4% on a comparable basis).

The performance of the *surface technologies* segment in the first quarter of 2024 was characterised by continued weakening demand from the automotive sector. In Germany in particular, the number of new electric car registrations fell significantly, as did demand for surface coatings for car parts. In effect, this led to a decrease in revenue by 10.3% to €17.0 million (previous year: €19.0 million). This decline, combined with high energy costs in production, resulted in a normalised EBITDA of €1.6 million (previous year: €2.4 million), down 30.9% year on year. The normalised EBITDA margin came to 9.7% (previous year: 12.5%).

The *precision components* segment saw revenue decrease by 9.8% to €13.6 million (previous year: €15.1 million). Aside from the reticent stance of automotive sector customers, demand for e-bike components was particularly sluggish. Combined, these effects led to a lower utilisation of capacity, with a corresponding impact on earnings. As a result, normalised EBITDA came to €0.9 million (previous year: €1.3 million), down 33.1%. The normalised EBITDA margin came to 6.4% (previous year: 8.6%).

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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*, *surface technologies* and *precision components*. KAP AG currently has over 2,400 employees at 24 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).