starrag

Media Release

2019 financial year

As expected, lower order intake and higher sales, while EBIT margin lower – order backlog still solid

- **Order intake down 26% to CHF 343 million (down 24% at constant exchange rates)**
- **Sales up 8% to CHF 418 million (up 9% at constant exchange rates)**
- **Solid order backlog of CHF 284 million**
- **Operating result before restructuring costs EBITR up 8% to CHF 14 million, EBITR margin 3.4%, EBIT margin 1.1%**
- **Net income CHF 6.9 million – earnings per share CHF 2.02**
- **Solid balance sheet with 53% equity ratio**
- **Profit distribution of CHF 1.00 per share, payout ratio of 49% – i.e. at the upper end of the targeted range**
- **Initial effects of «Starrag 2021» programme can be seen**

Rorschacherberg, 6 March 2020 – The Starrag Group Holding AG (SIX: STGN), a global technology leader in high-precision machine tools for milling, turning, boring and grinding workpieces of metallic, composite and ceramic materials, today announces its annual financial statements 2019 and publishes its annual report.

As expected, lower order intake

As already announced during the course of the reporting year, Starrag Group's order intake in 2019 was lower than in the previous year. At CHF 343 million, it was 26% below the 2018 level (24% at constant exchange rates), which was the second-highest in the history of the company and influenced by several large orders.

Higher sales

Sales amounted to CHF 418 million in 2019, surpassing the previous year's level by 8% (9% at constant exchange rates). The increase can primarily be explained by the high order intake in 2018, but can also be put down to the fact that the delays in order processing were partly offset in the reporting year by various measures that were taken to improve project management.

Solid order backlog

The order backlog of CHF 284 million as of the end of 2019 corresponds to a longer-term average. The decline of 22% must be put into perspective in view of the historical record of CHF 366 million in the previous year. The current work in hand also continues to ensure a solid basic workload.

Regional variation in developments

The picture differs from one geographic market region to another. Europe was the region most affected by the decline in order intake – especially Western Europe – followed by North America, although it was considerably smaller there. In Asia, the level was almost unchanged from the previous year. Europe remained the most significant market region, accounting for 54% of total incoming orders.

Declines in most customer sectors

The decline in new orders mainly affected Aerospace and Industrial, the two most important customer sectors, and to a similar extent. In the case of Aerospace, however, it should be remembered that the previous year was influenced by several large orders. The fall in order intake in Transportation and Energy was on a smaller scale. As in the previous year, the two dominant sectors – Aerospace and Industrial – accounted together for nearly three-quarters of new orders across the group.

EBIT margin lower

The operating result before restructuring costs EBITR amounted to CHF 14.0 million, or 3.4% of sales. After restructuring costs of CHF 9.2 million, EBIT was CHF 4.8 million, or a disappointing 1.1%. After standing at CHF 0.9 million as recently as the first half of the year, EBIT improved substantially in the second half of the year thanks not least to a considerable reduction in restructuring costs. Lower EBIT also resulted in a reduction in net income for the year to CHF 6.9 million (CHF 2.02 per share). The decline in EBIT was partly offset by the reversal of tax provisions owing to the reform of corporate tax in various cantons.

Balance sheet still healthy

Thanks to loweriabilities, the solid equity ratio of 53% exceeded the previous year's level by around 5 percentage points, meaning that it was in the range of the past few years. Net debt, which had already been cut to CHF 5.3 million in 2018, turned into net cash of CHF 0.6 million in 2019. Contributing to this was free cash flow of CHF 8.3 million, which was achieved thanks to restrained investment activity and cash flow from operating activities remaining intact.

First steps of the «Starrag 2021» programme realised

The «Starrag 2021» programme, which was adopted in April 2019 with the objective of a significant and sustainable improvement in profitability, is specifically aimed at optimising the product portfolio, comprehensively taking advantage of potential synergies, strengthening corporate leadership and improving project management. Numerous projects are in the process of being realised or, in some cases, have already been completed.
The new management structure has been in place since 1 July, with an increased focus on target markets and the associated application competencies. For example, the four operational business units were restructured according to product areas. Sales now comes under group-wide management, as does Group Operations (supply chain management, manufacturing and component assembly). Finally, the position of a group-wide HR manager was also created. All these positions are now filled.
In the course of the group restructuring, the planned reduction in staff at the Mönchengladbach site was completed in the reporting year and mechanical manufacturing was concentrated in Chemnitz. This will effect in annual cost savings of CHF 8 million to CHF 10 million from 2021. Nothing changed in 2019 in terms of Starrag Group's basic strategy, i.e. concentrating on the market segments and regions that offer the best growth and earnings potential, in particular China and the US.

Dividends unchanged

At the Annual General Meeting on 25 April 2020, the Board of Directors will propose a dividend in the form of a reduction in nominal value free of withholding tax amounting to CHF 1.00 per share. This corresponds to a dividend yield of 2.2% based on the closing share price for 2019 and to a payout ratio of 49%, i.e. at the upper end of the targeted range of 35% to 50%.

Upcoming change on the Board of Directors

Michael Hauser, already a member of the Board of Directors since 2018, will be proposed as the new chairman at the forthcoming Annual General Meeting on 25 April. He will succeed majority shareholder Walter Fust, who will remain on the Board of Directors as vice-chairman. Michael Hauser is a proven expert in the machine tool industry. He has been CEO of Tornos SA in Moutier since 2011. Prior to that, he held leading positions in Georg Fischer, Agie Charmilles and Mikron. He is also involved in relevant industry associations in Switzerland and internationally, as well as being a member of Schlatter Industries AG's Board of Directors.

Outlook for 2020

Global economic developments will again be shaped by a lot of political and economic uncertainty in 2020, which makes them increasingly difficult to forecast. Apart from these external influencing factors, Starrag Group is optimistic about its target markets in a longer-term perspective.

With regard to the order intake, we currently expect a figure in line with that of the previous year (in local currency), and a small increase in the best-case scenario. Sales in 2020 are likely to be significantly below the previous year's level owing to the weaker order intake in 2019. With regard to earnings, we expect EBIT before restructuring costs to be somewhat lower or, in the best-case scenario, unchanged compared with 2019. The measures taken in the previous year to cut fixed costs and improved project management offset a negative volume effect resulting from the lower order backlog.

High-precision machine tools for greater productivity

Starrag Group is a global technology leader in manufacturing high-precision machine tools for milling, turning, boring and grinding workpieces of metallic, composite and ceramic materials. Principle customers are internationally active companies in the Aerospace, Energy, Transportation and Industrial (Industrial Components, Luxury Goods, Med Tech) sectors. In addition to its portfolio of machine tools, Starrag Group provides integrated technology and maintenance services that significantly enhance customer quality and productivity.

The umbrella brand Starrag unites the product ranges Berthiez, Bumotec, Dörries, Droop+Rein, Ecospeed, Heckert, Scharmann, SIP, Starrag, TTL and WMW. Headquartered in Rorschach/Switzerland, the Starrag Group operates manufacturing plants in Switzerland, Germany, France, the UK and India and has established a network of sales and services subsidiaries in the most important customer countries.

The shares of Starrag Group Holding AG are listed on the SIX Swiss Exchange.

For further information: www.starrag.com

Key figures Starrag Group

in CHF million	2019	2018	Change
Order intake	343.2	461.0	-25.6%
Order backlog at year-end	284.3	365.9	-22.3%
Sales revenue	418.1	388.8	7.6%
Operating result EBIT	4.8	11.1	-56.8%
Net income	6.9	8.4	-18.2%
EBIT as % of sales revenue	1.1%	2.9%	na.
Cash flow from operating activities	10.5	26.9	-61.0%
Capital expenditure in non-current assets	5.1	7.1	-30.8%
Free cash flow	8.3	19.7	-57.7%
Employees in the annual average (full-time)	1‘514	1'516	-0.1%
Total assets	334.6	369.7	-9.5%
Net debt	0.6	-5.3	-112.1%
Shareholders’ equity	178.1	176.6	0.8%
Equity ratio	53.2%	47.8%	na.
Return on equity (ROE)	3.9%	4.7%	na.
Earnings per share (in CHF)	2.02	2.49	-18.7%
Profit distribution per share (in CHF)	1.00 [1)]	1.00	0%

See also „Additional definitions of performance indicators“ on page 96 of the Annual Report 2019.

[1)] In form of a reduction of the nominal value from 8.50 CHF to 7.50 CHF free of withholding tax (proposal by the Board of Directors to the Annual General Meeting).

The Annual Report 2019 is available for download on:

https://investor.starrag.com/en-us/news/financial_reports

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Furthcoming events

- Annual General Meeting 25 April 2020
- Payment date dividend (reduction in nominal value) mid-July 2020
- Half-year report 2020 23 July 2020
- Sales and orders 2021 29 January 2021
- Key figures 2020 / Annual report 5 March 2021
- Annual General Meeting 23 April 2021

The economic projections and predictions contained in this information relate to future facts. Such projections and predictions are subject to risks, uncertainties and changes which cannot be foreseen and which are beyond the control of the issuer. The Starrag Group is therefore not in a position to make any representations as to the accuracy of economic projections and predictions or their impact on the financial situation of the Starrag Group or the market in the securities of the Starrag Group.