
Winterthur, July 25, 2019

Revenue growth in a strongly declining market

In a strongly declining market, Autoneum increased revenue in local currencies by 1.9% in the first six months of 2019 thanks to numerous model ramp-ups. At CHF 1 156.1 million, revenue in Swiss francs reached the previous year's level (CHF 1 159.4 million). All four Business Groups outperformed the market. The turnaround program in North America is showing progress, but the persisting operational inefficiencies at two US plants continue to impact the profitability of the entire Group, as already communicated. Accordingly, EBIT fell to CHF 16.4 million in the first semester, while the anticipated negative net result totaled CHF –6.0 million.

The weak global macroeconomic environment, ongoing trade disputes and the resulting uncertainty among car manufacturers and consumers led to a further sharp decline in global light vehicle production in the first half of 2019. In this difficult market environment, Autoneum was able to increase its revenue by 1.9% in local currencies in the first six months compared to the prior-year period, particularly thanks to numerous model ramp-ups. At CHF 1 156.1 million, revenue in Swiss francs reached the prior-year's level (CHF 1 159.4 million). While the number of vehicles produced in all regions declined, Business Groups (BG) North America, Asia and SAMEA (South America, Middle East and Africa) grew and outperformed the respective market developments, two of them significantly. Only at Business Group Europe did the sharp drop in production volumes among vehicle manufacturers result in fewer call-offs and lower year-on-year revenue.

In Business Group North America, the turnaround program to resolve the operational problems in two US plants is showing progress, but the persisting inefficiencies continue to impact the profitability of the entire Group, as previously communicated. In addition, the lower capacity utilization of the European plants and the new production capacities in China not yet operational due to the market slowdown burdened the Company's result. Therefore, EBIT decreased to CHF 16.4 million in the first semester, which equals an EBIT margin of 1.4%. Excluding the effects of the initial application of the new standard for lease accounting (IFRS 16) in the first half of 2019, EBIT totaled CHF 12.8 million (prior-year period: CHF 86.4 million). The EBIT margin on a comparable basis amounted to 1.1% (prior-year period: 7.5%). This led to the expected negative net result, which was at CHF –6.0 million (prior-year period: net profit of CHF 60.1 million).

The half-year loss and higher net working capital compared to December 31, 2018 resulted in a cash flow from operating activities of CHF 10.1 million, or CHF –3.4 million (prior-year period: CHF 48.5 million) on a comparable basis. The adoption of IFRS 16 led to a first time recognition of leased tangible assets and corresponding liabilities in the balance sheet, each in the amount of CHF 301.6 million. This had a negative impact on the equity ratio, which was at 30.1% as of June 30, 2019. On a comparable basis, the equity ratio amounted to 35.7% (December 31, 2018: 39.2%). Net debt, excluding the IFRS 16 effects, rose to CHF 381.5 million (December 31, 2018: CHF 283.7 million). In May 2019, the existing long-term credit agreement with a bank syndicate was increased from CHF 150 million to CHF 350 million on terms that continue to be favorable. On this occasion, additional banks, some of which have been partners for many years, joined the existing bank consortium in effect since 2011. Thanks to this credit agreement and the bonds issued in 2016 and 2017, Autoneum continues to be solidly financed.

Committed to electromobility

As market and innovation leader, Autoneum is the preferred partner for automobile manufacturers for lightweight noise- and heat-reducing components. The Company already today supplies the majority of the globally available electric vehicle models with components that thanks to their low weight enable a greater driving range while simultaneously positively influencing noise. In view of the continued increase in demand, Autoneum expanded its broad product portfolio in spring with battery undercovers made of Ultra-Silent which optimally meet the specific acoustic and thermal management requirements of electric vehicles.

With battery undercovers made of Ultra-Silent, the Company has adapted this textile underbody technology for use in electric vehicles for the first time. Noise-reducing components are essential in electric models because noise sources such as fans, pumps and electronic drive elements are more audible due to the lack of engine noise and therefore impact driving comfort. At the same time, these battery undercovers are also especially environmentally-friendly because they are mostly made from recycled PET fibers. As of 2020, the first components will be produced in series for an electric model of a German premium car manufacturer in Gundernhausen, Germany.

Changes to the Group Executive Board

The Board of Directors of Autoneum Holding Ltd has appointed two new members to the Group Executive Board: Dr Alexandra Bendler and Greg Sibley. Alexandra Bendler has been Head of Business Group Europe since February 1, 2019, succeeding Matthias Holzammer, who left Autoneum at his own request. Alexandra Bendler has held various management positions since joining the Company in 2008, including Head of Group Strategy & Marketing; she was also responsible for sales and program management in Business Group Europe.

Greg Sibley assumed responsibility for Business Group North America after a transition period on July 1, 2019, taking over from Fausto Bigi. He has led this Business Group on an interim basis since the beginning of 2019. Greg Sibley has many years of management experience in the international automobile supplier industry, excellent knowledge of the US automotive market and comprehensive expertise in the areas of production, development and sales at leading automobile suppliers.

Business Groups

Compared to the prior-year period, revenue of Business Group Europe decreased by –3.6% in local currencies in the first half of 2019 due to lower production volumes for models of Swedish, German and Japanese vehicle manufacturers. However, the Business Group outperformed the market, which recorded an even bigger decline. In Swiss francs, revenue dropped by CHF 33.7 million to CHF 467.6 million (prior-year period: CHF 501.2 million). As a result of weaker capacity utilization, especially at Western European plants, and a correspondingly lower coverage of fixed costs as well as persistently increasing labor costs in Eastern Europe, EBIT fell to CHF 24.8 million (prior-year period: CHF 43.7 million). This corresponds to an EBIT margin of 5.3%.

Despite the further shrinking automobile production in its main market USA and in Canada, Business Group North America posted an increase in revenue of 4.1% in local currencies. Crucial for this encouraging growth are numerous customer programs for European vehicle models that are currently in the ramp-up phase. In Swiss francs and on a currency-adjusted basis, revenue climbed by 6.4% to CHF 502.5 million (prior-year period: CHF 472.2 million). Due to the existing operational problems in two US plants, EBIT fell to CHF –33.1 million (prior-year period: CHF 18.4 million). The losses that were caused by operational inefficiencies and that had increased month after month in the fourth quarter of 2018, were reduced in the first half of 2019 despite rising volumes in the relevant customer programs. The extensive restructuring measures initiated at the beginning of the year have been consistently driven forward and are having the expected effect.

Thus, one major goal set by the action plan to restore delivery capability in both US plants has been achieved. Nevertheless, the local situation remains extremely challenging, particularly in view of the program-driven increase in production volumes and additional new ramp-ups.

With a rise in revenue of 0.9% in local currencies, Business Group Asia managed to hold its ground in a sharply shrinking and highly competitive market, especially in China. Higher call-offs by German and Japanese automobile manufacturers offset the decline in volumes among US customers. In Swiss francs, revenue dropped by –1.7% to CHF 125.1 million due to currency exchange effects (prior-year period: CHF 127.3 million). In view of the current market slump, the expansion, which was based on the growth prospects of the Chinese market, is having a noticeable impact on the earnings situation of the Business Group. Despite cost-saving measures that were immediately introduced, especially in the area of structural costs, EBIT decreased to CHF 6.0 million (prior-year period: CHF 11.3 million); the EBIT margin was at 4.8%.

Although the number of light vehicles produced in the SAMEA region fell by more than 15% in the first half of 2019, Business Group SAMEA continued its growth course and managed to increase revenue in local currencies by 45.3%, a result boosted by inflation. In particular, high-volume orders from Japanese and US vehicle manufacturers in Brazil and Argentina, as well as higher export volumes from a French carmaker in Turkey, were responsible for this significant growth. Due to the massive devaluation of various currencies in the region, revenue consolidated in Swiss francs rose by just 13.5% to CHF 63.6 million (prior-year period: CHF 56.0 million). EBIT improved by CHF 1.1 million to CHF 4.2 million (prior-year period: CHF 3.1 million) thanks to stronger capacity utilization. The EBIT margin increased by 1.1 percentage points to 6.6%, which marks a new record high for this Business Group.

Outlook

A decline in global automobile production is forecast for the entire year of 2019. In this challenging environment, Autoneum anticipates to achieve a slight organic increase in revenue also in the second half-year. Furthermore, and in view of the stabilization of Business Group North America, an improved operating result is to be expected in the second semester. Based on the turnaround measures currently being implemented, Autoneum should achieve substantial increases in earnings in 2020 and a sound profitability level again in 2021.

Semi-Annual Report 2019 and presentation

The Semi-Annual Report 2019 and the presentation on the half-year results can be found on www.autoneum.com/media/publications.

Conference Call

Autoneum will hold a Financial Analysts Conference Call on the occasion of the publication of the half-year results 2019 on July 25, 2019 at 9 am CET.

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About Autoneum

Autoneum is globally leading in acoustic and thermal management for vehicles. The Company develops and produces multifunctional, lightweight components and systems for interior floor and engine bay as well as the underbody. Customers include almost all automobile manufacturers in Europe, North & South America, Asia and Africa. Autoneum operates 55 production facilities and employs around 13000 people in 25 countries. The Company with its headquarters in Winterthur, Switzerland, is listed on the SIX Swiss Exchange (ticker symbol AUTN).

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