

Media information

Schlatter reports a loss for 2020. Nascent market recovery towards the year-end.

Schlieren, 30 March 2021. In the 2020 financial year the Schlatter Group generated net sales of CHF 78.8 million (2019: CHF 93.6 million) and an order intake of CHF 83.3 million (2019: CHF 74.8 million). The order backlog as at 31.12.2020 stood at CHF 30.8 million (31.12.2019: CHF 26.4 million). This resulted in a negative operating result (EBIT) for the period under review of CHF -4.9 million (2019: CHF 1.0 million). The Group posted a net result of CHF -5.5 million for the 2020 financial year (2019: CHF 0.5 million).

Both the Schlatter Group segments – welding and weaving – made a positive start to the 2020 financial year, despite order backlogs that were lower than in previous years. But the effects of the coronavirus pandemic, especially in the first half of the year, led to a significant operating loss. However, this was reduced substantially by a moderate market recovery that set in during the second half.

Many of our mesh welding customers were forced to shut down their operations for extended periods, leading to a collapse in demand for systems and spare parts. The renewed strength of the Swiss franc was an additional drag on profitability in this segment. In the weaving segment a number of projects that were close to being finalised in the spring were postponed because of the lockdown. We moved into our new Münster site in May 2020. As expected, the move incurred one-off costs and involved a temporary production stoppage. The after-sales area recovered almost completely in the second half-year, and the demand for systems increased again – especially towards the year-end. Schlatter expects the market recovery to continue in the 2021 financial year.

Welding segment

Net sales in the welding segment in the 2020 financial year totalled CHF 61.0 million (2019: CHF 77.3 million). The order intake rose to CHF 64.9 million (2019: CHF 61.3 million) while the order backlog at the year-end stood at CHF 25.4 million (31.12.2019: CHF 21.5 million).

Because of the decline in sales in the 2019 financial year, the Schlatter Group had already introduced a package of measures towards the end of that year to cut costs and raise productivity on the Schlieren site. Those measures took effect in the second half of 2020, reducing the pandemic's negative effects on net sales.

Versatile new machine platform

Initial versions of the new machine platform for welding reinforcing and industrial mesh were successfully trialled by customers. Only the new platform welding machines will be used for industrial mesh projects in the new financial year, while in the reinforcing mesh area the replacement process will not be completed until the year-end. The platform's modular structure appeals to the most diverse industries and application areas. In addition to their numerous application enhancements, these industrial mesh facilities can also produce other types of fencing.

Wire product area (equipment for the production of reinforcing and industrial wire mesh)

Wire is the product area with the highest revenue for Schlatter, and it was also the area most impacted by the decline in orders – but a nascent recovery, especially towards the year-end, enabled numerous orders to be secured. The Schlatter Group expects this moderate recovery to continue: sales in the current financial year should rise, though remaining below the levels of previous years.

The industrial mesh production business is growing, and it is less volatile than reinforcing mesh production. Schlatter is exploiting supplementary potential through the enhancement of possible applications in the direction of sector solutions. The direction of development focuses on integrated system solutions for the manufacture of end products. These manufacturing concepts also integrate machines and equipment not solely relating to mesh production.

Rail welding product area

Schlatter's strong positioning in the global market for stationary rail-welding installations once more enabled us to complete significant projects in the 2020 financial year. There are opportunities in the rail-welding product area, especially in emerging markets. The coronavirus pandemic has delayed projects and sales negotiations, however, while some customers prefer to modernise rather than buy new – and Schlatter can offer them what they need in both stationary and mobile rail welding.

Weaving segment

Net sales in the weaving segment in the 2020 financial year were CHF 17.8 million (2019: CHF 16.3 million). The order intake rose to CHF 18.4 million (2019: CHF 13.5 million). The order backlog at the year-end stood at CHF 5.4 million (31.12.2019: CHF 4.9 million).

The substantial loss in the weaving segment was caused by a pandemic-related decline in sales from the sale of spare parts and new installations, a high cost base, inflexible costs, low productivity, and the expenditure associated with the move to the new site.

Weaving machines for the production of paper machine clothing

A major priority is to reduce the production costs of weaving machines for the paper industry. Examples of how this is being achieved include comprehensive value analyses, internal process optimisation in project implementation, and the development of procurement-oriented product designs.

Development of new business fields in the technical textiles area

A product development project launched in 2019 is designed to enable us to enter new growth markets for the production of technical weaves other than paper machine clothing for the paper industry. Schlatter expects this to reduce its dependence on the volatile market for weaving machines used in the production of paper machine clothing, and hence to generate additional growth. The major technical challenges have been successfully overcome. The market launch of the new machines is scheduled for the third quarter of 2021.

Outlook

The Schlatter Group has successfully launched product innovations, intensified marketing operations in regions where we were previously under-represented, and substantially expanded our service business. The decline in net sales and the overall result due to the extraordinary situation in the 2020 financial year has presented us with challenges that we are actively meeting, for example with comprehensive cost-cutting measures affecting both segments, with the reduction of capacities at our largest sites, and with measures to increase productivity that are already in the course of implementation. Measures that were planned for the medium term are being consistently continued. These include above-average investments in product development, and intensive marketing that will help to strengthen our market position. The Board of Directors has adopted a programme designed to reduce the Münster site's cost base and increase its flexibility so that it is better able to cope with market fluctuations in future. This will incur one-off expenses that will burden the annual accounts in 2021.

2021 Annual General Meeting

The Board of Directors will submit a proposal to the Annual General Meeting on 4 May 2021 to waive a dividend distribution for the 2020 financial year.

The full 2020 Annual Report (in German only) can be downloaded from the Schlatter Group website: http://www.schlattergroup.com/de/investor-relations/geschaefts-_und_semesterberichte/

Further information

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Agenda

- 30.03.2021 Publication of detailed annual results 2020 (press release and publication of annual report on the website of the company)
- 04.05.2021 Annual General Meeting
- 17.08.2021 Publication of half-year results 2021

Schlatter Group (www.schlattergroup.com)

Schlatter Group is a world leader in the manufacture of resistance welding systems as well as of weaving and finishing machines for the production of paper-machine clothing, wire fabrics and wire mesh. The Group is listed in the Swiss Reporting Standard of the SIX Swiss Exchange. With its many years of experience in the plant technology field, its innovative strength and its reliable customer service, Schlatter Group guarantees high-performance, high-value production facilities.

This media release contains certain forward-looking statements including statements using the words "believes", "assumes", "expects" or formulations of a similar kind. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which could lead to substantial differences between the actual future results, the financial situation, the development or performance of the Company and those either expressed or implied by such statements. Such factors include, among other things: competition from other companies, the effects and risks of new technologies, the Company's continuing capital requirements, financing costs, delays in the integration of acquisitions, changes in the operating expenses, the Company's ability to recruit and retain qualified employees, unfavourable changes to the applicable tax laws, and other factors identified in this communication. In view of these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company accepts no obligation to continue to report or update such forward-looking statements or adjust them to future events or developments.

Key figures of the Schlatter Group

		2020	2019
Net sales	CHF million	78.8	93.6
Change compared to previous year	%	-15.8	-16.0
Operating result (EBIT)	CHF million	-4.9	1.0
In % of net sales	%	-6.2	1.0
Net result	CHF million	-5.5	0.5
In % of net sales	%	-7.0	0.5
Order intake	CHF million	83.3	74.8
Order backlog	CHF million	30.8	26.4
Headcount at period end	FTEs	323	344
Average headcount	FTEs	329	362
Interest-bearing liabilities	CHF million	9.1	9.0
Net financial position (debt)¹	CHF million	-6.0	-5.5
Gearing²	%	25.5	18.8
Free cash flow³	CHF million	-0.3	-17.9
Current assets	CHF million	35.2	39.7
Non-current assets	CHF million	20.8	18.6
Liabilities	CHF million	32.6	29.0
Equity	CHF million	23.4	29.3
Equity ratio	%	41.8	50.2
Return on equity (ROE)⁴	%	-20.8	1.8
Key share figures			
Share capital as of December 31	CHF 1000	17 675	17 675
Total registered shares	No.	1 104 704	1 104 704
Registered shares entitled to dividend payment	No.	1 104 704	1 104 704
Net result per registered share ⁵	CHF	-4.96	0.46
Equity per registered share ⁵	CHF	21.20	26.49
Dividend per registered share	CHF	0 ⁶	0
Payout ratio	%	0 ⁶	0
Share price development			
High	CHF	37.80	46.80
Low	CHF	23.20	31.20
Year-end	CHF	29.40	35.80
Market capitalization			
High	CHF million	41.8	51.7
Low	CHF million	25.6	34.5
Year-end	CHF million	32.5	39.5

¹ Net financial position (debt): cash and cash equivalents less interest-bearing liabilities

² Gearing: net debt divided by equity

³ Cash flow from operating activities less purchase of tangible fixed assets and intangible assets, plus sale of tangible fixed assets and intangible assets

⁴ Net result divided by average equity

⁵ Determined on the basis of dividend-entitled shares

⁶ In accordance to the proposal to the Annual General Meeting of May 4, 2021