PHOENIX MECANO

Ad hoc announcement pursuant to Art. 53 LR

Phoenix Mecano on track despite headwinds

The Phoenix Mecano Group maintained a high level of sales and incoming orders in the first half of 2022 and further improved its result before special items.

Kloten/Stein am Rhein, 11 August 2022. Despite a marked downturn in the global economic environment in the first half of 2022, the Phoenix Mecano Group was able to maintain a high level of sales and incoming orders. Megatrend-driven future markets such as electronic enclosures and products for renewable energy projects generated growth, while the DewertOkin Technology Group's volume business saw weak global demand. Thanks to its high level of in-house added value and proactive warehousing, the Group was largely able to prevent supply chain issues from inhibiting its sales performance. The result was impacted by one-off special items amounting to EUR 5.6 million in connection with irregularities at a US subsidiary. Excluding these special items, the result increased compared with the previous year.

Consolidated gross sales rose from EUR 404.3 million to EUR 410.7 million in the first half of 2022. In organic, local-currency terms, they saw a reduction of 3.1%.

Net sales totalled EUR 406.3 million (previous year: EUR 401.5 million). At EUR 437.7 million, incoming orders remained virtually unchanged from the previous year (EUR 440.3 million). The book-to-bill ratio was 106.6% (previous year: 108.9%).

Excluding the one-off impact of special items, the operating cash flow increased by 7.8% year-on-year, from EUR 35.4 million to EUR 38.1 million, and the operating result by 4.2%, from EUR 24.7 million to EUR 25.7 million. Including special items, the operating cash flow fell to EUR 32.5 million and the operating result to EUR 20.1 million.

At EUR 13.1 million, the result of the period was down on the previous year (EUR 16.6 million) due to the aforementioned special items.

Division performance

The **DewertOkin Technology Group** (DOT Group) division saw its gross sales decline by 11.4% to EUR 172.0 million. In organic, local-currency terms, the decrease was 17.8%. The operating result fell to EUR 0.3 million, corresponding to an operating margin of 0.2%.

The DOT Group was hit by a 'perfect storm' in the first half of the year. Increased raw material prices, stressed supply chains, partial lockdowns in its key Chinese production centres and declining incoming orders as a result of the global economic downturn curbed the previously dynamic growth in all market regions.

The DOT Group responded with capacity adjustments and cost-cutting measures and, despite the above-mentioned challenges, managed to achieve a break-even operating result. Long-term projects such as investments in vertical integration and a sustainable increase in operational performance were implemented consistently. The first production facilities are currently being installed at the Jiaxing site and a large part of production is expected to have moved to the new industrial park by the end of the year. Strategic investments in R&D and software development are also continuing, aimed at driving digitalisation and strengthening the DOT Group's leading market position through product innovations.

In the **Industrial Components** division, gross sales increased by 13.5% to EUR 125.9 million. In organic, local-currency terms, they grew by 9.5%. Before non-recurring items linked to irregularities at a US subsidiary, the operating result was EUR 10.0 million, up 15.7% on the previous year (EUR 8.6 million). One-off items curtailed the operating result to EUR 4.3 million. The operating margin was 7.9% before and 3.5% after special items (previous year: 7.8%).

In the Automation Modules business area, margins were defended by systematic price increases, in the face of significant hikes in material costs. Products in the Measuring Technology business area saw strong demand from industry and from larger project orders in wind, solar and energy storage. Material shortages hampered growth in Rugged Computing.

Sales in the **Enclosure Systems** division climbed by 13.7% from EUR 99.2 million to EUR 112.8 million. In organic, local-currency terms, the increase was 11.6%. The operating result rose from EUR 13.4 million to EUR 17.4 million and the operating margin from 13.5% to 15.4%.

The division benefited from the booming market for electronic enclosures as a result of increasing industrial digitalisation. With its exceptionally broad range of standard products available ex stock as well as customised solutions combining proven enclosure engineering with state-of-the-art input technology, the division was ideally placed to meet the unflagging demand. The procurement situation remained complex, especially for electronic components for projects involving industrial PCs with integrated printed circuit boards.

Irregularities at a US subsidiary

On 4 July 2022, Phoenix Mecano announced that an internal investigation had been opened into potential irregularities at a US subsidiary. The investigation is largely complete and revealed irregularities in the recognition of sales, material costs, receivables, liabilities and accruals/deferrals. The already known direct and indirect effects have been taken into account in the interim financial statements for the period ending 30 June 2022, impacting the operating result by USD 6.1 million (EUR 5.6 million). No further significant financial impacts are expected between now and the completion of the investigation. However, there will still be costs for restructuring measures. In total, the further impact on earnings should not exceed EUR 2 million.

Outlook

In recent months, macroeconomic conditions have deteriorated due to the war in Ukraine, partial lockdowns in China and rising inflation accompanied by interest rate hikes. The economic slowdown and the associated weakening of market demand are likely to continue in the second half of the year. The Phoenix Mecano Group is proving resilient in the face of these headwinds. As things stand, Phoenix Mecano's management and Board of Directors are confident of achieving the forecast growth in sales in financial year 2022, barring a major recession in H2. Excluding one-off items linked to the irregularities at a US subsidiary, this also applies to the announced double-digit percentage improvement in operating result (EBIT). The growth drivers aligned with megatrends – automation, digitalisation, demographic change and decarbonisation – remain unaffected.

A detailed semi-annual report will be available as a PDF download on our website from 11 August 2022.

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About Phoenix Mecano
The Phoenix Mecano Group is a global player in the enclosures and industrial components segments and is a leader in many markets. Headquartered in Stein am Rhein, Switzerland, the Group employs around 8,000 people worldwide and generated sales of EUR 817 million in 2021. It is geared towards the manufacture of niche products and system solutions for customers in the mechanical engineering, measurement and control technology, medical technology, aerospace technology, alternative energy and home and hospital care sectors. Phoenix Mecano was founded in 1975 and has been listed on the Swiss stock exchange since 1988.

Results Half year 1 2022 in figures (in EUR million)

	1-6 2021	1-6 2022	in % to PY
Incoming orders	440.3	437.7	-0.6
Gross sales	404.3	410.7	1.6
per division:			
DewertOkin Technology Group	194.1	172.0	-11.4
Industrial Components	111.0	125.9	13.5
Enclosure Systems	99.2	112.8	13.7
Net sales	401.5	406.3	1.2
Operating cash flow	35.4	32.5	-8.0
Margin	8.7%	7.9%	
Operating result	24.7	20.1	-18.4
Margin	6.1%	4.9%	
per division:			
DewertOkin Technology Group	4.3	0.3	-93.3
	2.2%	0.2%	
Industrial Components	8.6	4.3	49.5
	7.8%	3.5%	
Enclosure Systems	13.4	17.4	29.4
	13.5%	15.4%	
Other	-1.6	-1.9	-15.3
Result of the period	16.6	13.1	-20.9
Margin	4.1%	3.2%	